

**CITY OF HENDERSONVILLE**

**NORTH CAROLINA**

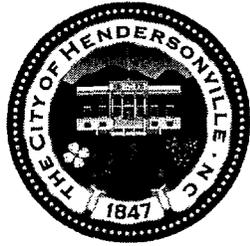
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the fiscal year ended**

**June 30, 2006**

**Prepared by:**

**Department of Finance**



**CITY OF HENDERSONVILLE**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006

**TABLE OF CONTENTS**

	<b>PAGE NUMBER</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal . . . . .	vi
Certificate of Achievement in Financial Reporting . . . . .	xii
Organizational Chart . . . . .	xiii
List of Elected and Appointed Officials . . . . .	xiv
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report . . . . .	1
Management's Discussion and Analysis . . . . .	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets . . . . .	14
Statement of Activities . . . . .	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds . . . . .	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds . . . . .	19
General Fund and Annually Budgeted Major Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual . . . . .	21
Statement of Net Assets - Proprietary Funds . . . . .	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds . . . . .	24
Statement of Cash Flows - Proprietary Funds . . . . .	25
Statement of Fiduciary Net Assets . . . . .	26-1
Notes to the Financial Statements . . . . .	27
Required Supplementary Information:	
Public Safety Employees Retirement System:	
Analysis of Funding Progress . . . . .	51
Schedule of Employer Contributions . . . . .	52
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual . . . . .	53
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds . . . . .	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds . . . . .	61

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006

TABLE OF CONTENTS

	PAGE NUMBER
Downtown Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual . . . . .	65
Seventh Avenue Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual . . . . .	66
Boys & Girls Club "Yes" Program Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	67
CDBG Village at King Creek Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	68
Communications Initiative Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	69
Governor's Highway Safety Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	70
Safer Parks Grant Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	71
Hazard Mitigation Plan Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	72
Homeland Security Firefighters Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	73
2003 Local Law Enforcement Block Grant No. LBBX-2756:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	74
Capital Reserve Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception . . . . .	75
Capital Projects Funds:	
Sidewalk Construction Project:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception. . . . .	76
City Hall Renovation Project:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception. . . . .	77

**CITY OF HENDERSONVILLE**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006

**TABLE OF CONTENTS**

	<b>PAGE NUMBER</b>
Solid Waste Fund:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) . . . . .	78
Water and Sewer Fund:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) . . . . .	79
Water and Sewer Capital Project Funds:	
Brookside Camp Road Waterline Extension:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) from Inception . . . . .	82
Brightwater Heights Water System Project:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) from Inception . . . . .	83
Firemen's Relief Agency Fund:	
Statement of Changes in Assets and Liabilities. . . . .	84
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source . . . . .	85
Schedule by Function and Activity . . . . .	86
Schedule of Changes by Function and Activity. . . . .	87
 SCHEDULES SECTION:	
General Fund:	
Schedule of Ad Valorem Taxes Receivable . . . . .	88
Analysis of Current Tax Levy -- City-Wide Levy . . . . .	89
General Fund (Secondary Market Disclosure):	
Analysis of Current Tax Levy -- City-Wide Levy . . . . .	90
Ten Largest Taxpayers . . . . .	91
Downtown Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable . . . . .	92
Analysis of Current Tax Levy . . . . .	93
Seventh Avenue Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable . . . . .	94
Analysis of Current Tax Levy . . . . .	95
Schedule of Transfers - All Funds . . . . .	96
 SINGLE AUDIT SECTION	
Report on Compliance and 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 . . . . .	97

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006

TABLE OF CONTENTS

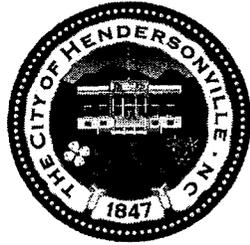
	PAGE NUMBER
Report on Compliance with Requirement Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance with OMB Circular A-133 and the State Single Audit Implementation Act . . . . .	99
Report on Compliance with Requirement Applicable to Each Major State Program and Internal Control Over Compliance In Accordance with OMB Circular A-133 and the State Single Audit Implementation Act . . . . .	101
Schedule of Findings and Questioned Costs . . . . .	103
Schedule of Expenditures of Federal and State Awards . . . . .	105

STATISTICAL SECTION

Net Assets by Component . . . . .	107
Changes in Net Assets. . . . .	108
Fund Balances of Governmental Funds. . . . .	110
Changes in Fund Balances of Governmental Funds. . . . .	111
Assessed Value and Estimated Actual Value of Taxable. . . . .	113
Property Tax Rates - Direct and Overlapping Governments. . . . .	114
Principal Taxpayers. . . . .	115
Property Tax Levies and Collections. . . . .	116
Ratios of Outstanding Debt by Type. . . . .	117
Ratio of General Bonded Debt Outstanding. . . . .	118
Direct and Overlapping Governmental Activities Debt. . . . .	119
Legal Debt Margin Information . . . . .	120
Demographic and Economic Statistics. . . . .	121
Principal Employers. . . . .	122
Full-time Equivalent City Government Employees by Function. . . . .	123
Operating Indicators by Function. . . . .	124
Capital Asset Statistics by Function. . . . .	125

g:\myfiles\wpdocs\caftrtoc4

# **INTRODUCTORY SECTION**



OFFICERS:

Greg Newman  
Mayor  
Barbara Volk  
Mayor Pro-Tem  
Chris A. Carter  
City Manager

# CITY OF HENDERSONVILLE

*"The City of Four Seasons"*

FINANCE DEPARTMENT  
James W. Rudisill, Finance Director

CITY COUNCIL:

BARBARA VOLK  
JON LAUGHTER  
WILLIAM O'CAIN  
JEFF COLLIS

November 30, 2006

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

North Carolina General Statute 159-34 states that "each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts." A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hendersonville for the fiscal year ended June 30, 2006.

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

The City of Hendersonville's financial statements have been audited by Carland and Andersen, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hendersonville for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hendersonville's financial statements for the fiscal year ended June 30, 2006, 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 "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements 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 emphasis on internal controls and legal requirements involving the administration of federal grants and awards. These documents are available in the Single Audit Report Section of this report.

GAAP require 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 MD&A and should be read in conjunction with it. The City of Hendersonville's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

Hendersonville incorporated in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the city today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The city is the county seat of Henderson County and largest among five municipalities located within the County. As of June 30, 2006, the North Carolina Office of State Planning estimated the city's population to be 12,237.

The city encompasses an area of 6.80 square miles and is located on a mountain plateau 2,200 feet above sea level. Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 48 inches, average summer temperature of 71 degrees, average winter temperature of 39 degrees and average snowfall of 15 inches, Hendersonville is known as the "*City of Four Seasons.*" 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.

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 empowered by state statute to levy a property tax on both real and personal property located within its legal boundaries. The city also has the power to extend its corporate limits by annexation, which is done periodically when deemed necessary by the governing body.

Annexation can be either voluntary or involuntary depending on the circumstances. 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 50,000 people is provided by the city.

### **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.

**Local economy.** The economy of the area is sustained by the local government employment markets, community college system, agricultural production, and industries located within the county. Henderson County has a diversified economic environment with many different industrial and commercial companies augmented by a strong agricultural community. There are more than one hundred manufacturing and industrial companies in the county that support the economy. Among the largest companies in the area are General Electric Lighting Systems, Inc., ITT Automotive, Selee Corporation, Wilsonart International, Eaton Corporation, Kimberly-Clark Corporation, Pardee Memorial Hospital, LeMan's Corporation, Park Ridge Hospital, Kyocera Industrial, and Arvin-Meritor Automotive. Today, manufacturing companies in Henderson County provide employment for 18 percent of the county's work force at an average hourly wage of \$19.68. The City continues to enjoy a favorable economic environment due to a stable manufacturing and industrial base.

Early settlers in Henderson County staked claims to their land by planting apple trees. **Apples** continue to be an important part of the economy today with sales averaging \$24 million per year. Approximately 5,000 acres in the county produce about 85 percent of the apples grown in North Carolina. Henderson County is recognized as one of the largest apple-producing counties in the United States. The mountain climate is conducive to producing excellent fruit color and flavor. Rome Beauty is the most widely grown apple variety, followed by Red and Golden Delicious. Winesap, Jonathans and Granny Smith types are also grown in addition to the newest varieties - Ginger Gold, Gala, Honey Crisp and Jonagolds.

Agriculture in Henderson County is more than just apple production. The county has more than 500 farms that produce milk and field crops in addition to livestock and horses. Henderson County is second in the state in ornamental plant production. Carolina Roses, western North Carolina's largest rose grower, resides in the county. VanWingerden Greenhouse Company, also located in the county, is not only a major supplier of greenhouse products but also ranks high among the nation's top 100 growers. More than 20 greenhouses, 60 nurseries and two sod farms produce an estimated 3,500 species of plants on about 1,600 acres of land. Henderson County is second in the state in ornamental plant production. It has exceeded apple production for nearly ten years. In all its various forms, agricultural production means more than a \$100 million dollars to our local economy each year. Gross income for the past year totaled about \$60 million in farm gate sales with another \$50 million from the landscaping sector.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and industry to the region. The city has a very vibrant economy with a strong residential, commercial and industrial tax base. The city has also extended its corporate limits several times by annexation which enabled the City Council to reduce the property tax rate on both real and personal property. Hendersonville's financial position remains strong and should remain strong in the foreseeable future based on current trends and economic indicators. The city will, however, need to continue to explore new methods of securing financial resources and look for ways to control expenditures in order to provide its citizens with a high quality of service and financial stability.

**Long-term financial planning.** Undesignated and unreserved fund balance in the general fund equaled 50.7 percent of total general fund expenditures as of June 30, 2006. City policy mandates that all undesignated, unreserved fund balance over 45 percent of total general fund expenditures at the end of each fiscal year be transferred to a separate capital reserve fund. The actual transfer of funds is made during the following fiscal year.

The General Fund Capital Reserve Fund is used in conjunction with the City's formally adopted Capital Improvement Program (C. I. P.). The C. I. P. is reviewed annually at the beginning of the budget process to determine all departmental capital outlay needs for the next fiscal year. No funds are appropriated or transferred from the capital reserve fund unless approved by City Council. The balance in the General Fund Capital Reserve Fund as of June 30, 2006, totaled \$2,916,977.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (\$500,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2006, totaled \$2,730,241.

**Cash management policies and practices.** All available funds were invested in bank demand deposits, bank certificates of deposit, the North Carolina Capital Management Trust (the Trust) and First Citizens Capital Management Group. Approximately fifty-nine (59) percent of the City's funds are invested in the Trust. The Trust is a diversified, open-end, financial management company that offers investment alternatives exclusively to local governments and public authorities of North Carolina as defined in Section 159-30 of the General Statutes. The Trust is Triple-A rated by Standard & Poor's Ratings Services and is also regulated by the Securities and Exchange Commission. Twenty-eight (28) percent of the City's investments are with the First Citizens Capital Management Group and the remaining thirteen (13) percent are held by Wachovia Bank, Carolina First, HomeTrust Bank, and Sun Trust Bank.

The Trust offers two professionally managed investment funds that provide an economical and convenient medium for investing available cash on hand. The two funds are designated as follows: (1) Cash Portfolio, and (2) Term Portfolio. The objective of the Cash Portfolio is to maintain a constant net asset value of \$1.00 per share through investment in high grade money market instruments, including obligations of the U.S. Government and the State of North Carolina,

and in bonds and notes of any North Carolina local government or public body. It is designed for investors who want to earn a high level of current income while preserving capital, liquidity and the value of their investment. For the fiscal year ended June 30, 2006, the Cash Portfolio's average annual return equaled 4.12 percent as compared to 2.05 percent for the prior year. The average yield on 6 month certificates of deposit for the same time period was 4.24 percent.

The Term Portfolio is designed for funds that can be invested for longer periods of time and can utilize instruments with longer maturities to realize higher yields. The level of risk and reward depends on the quality and maturity of its investments. This portfolio seeks to obtain as high a level of current income as is consistent with the preservation of capital. For the fiscal year ended June 30, 2006, the term portfolio's average annual total return equaled 3.08 percent as compared to 1.80 percent for the prior year.

During Fiscal Year 2006 the City continued to diversify its investment portfolio by investing in certificates of deposit with First Citizens Bank, Carolina First Bank, HomeTrust Bank, and SunTrust Bank. This was done to ensure that the city gets competitive interest rates among all of its investments. As the economy continues to improve and the pressure on interest rates continues to rise, more emphasis will be placed on securing investments with the highest interest rates available. The total amount of interest income for the year on all city investments equaled \$1,146,970. Interest income increased slightly over the prior year due to the incremental rise in interest rates by the Federal Reserve Board.

**Risk Management.** The City carries workers compensation and employers liability coverage with the North Carolina League of Municipalities Risk Management Services. The coverage applies to bodily injury by accident on the job or bodily injury by work-related disease. The risk management services company pays benefits as required by the Workers Compensation Law of North Carolina. The City has a Safety Review Board that examines all employee-related accidents to determine the cause of the accident and to make recommendations for prevention of future mishaps. The goal of the Review Board is to help prevent accidents, injuries and property damages in an effort to reduce premiums by minimizing and controlling losses. The City carries commercial insurance coverage for all other risks of loss. The City also has a fully funded medical insurance plan to pay medical claims of the City's employees and their dependents. The City pays the full cost of individual employee insurance coverage.

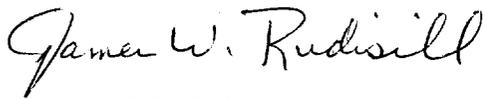
### **Awards and Acknowledgments**

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, 2005. This was the eighteenth 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* on a timely basis could not have been possible without the combined effort of Carland and Andersen, Inc. and the entire staff of the Hendersonville Finance Department and City Administration departments. Credit must also be given to the Mayor, City Manager and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,

A handwritten signature in cursive script that reads "James W. Rudisill".

James W. Rudisill  
Finance Director

# 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, 2005

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



*Carla E. Perry*

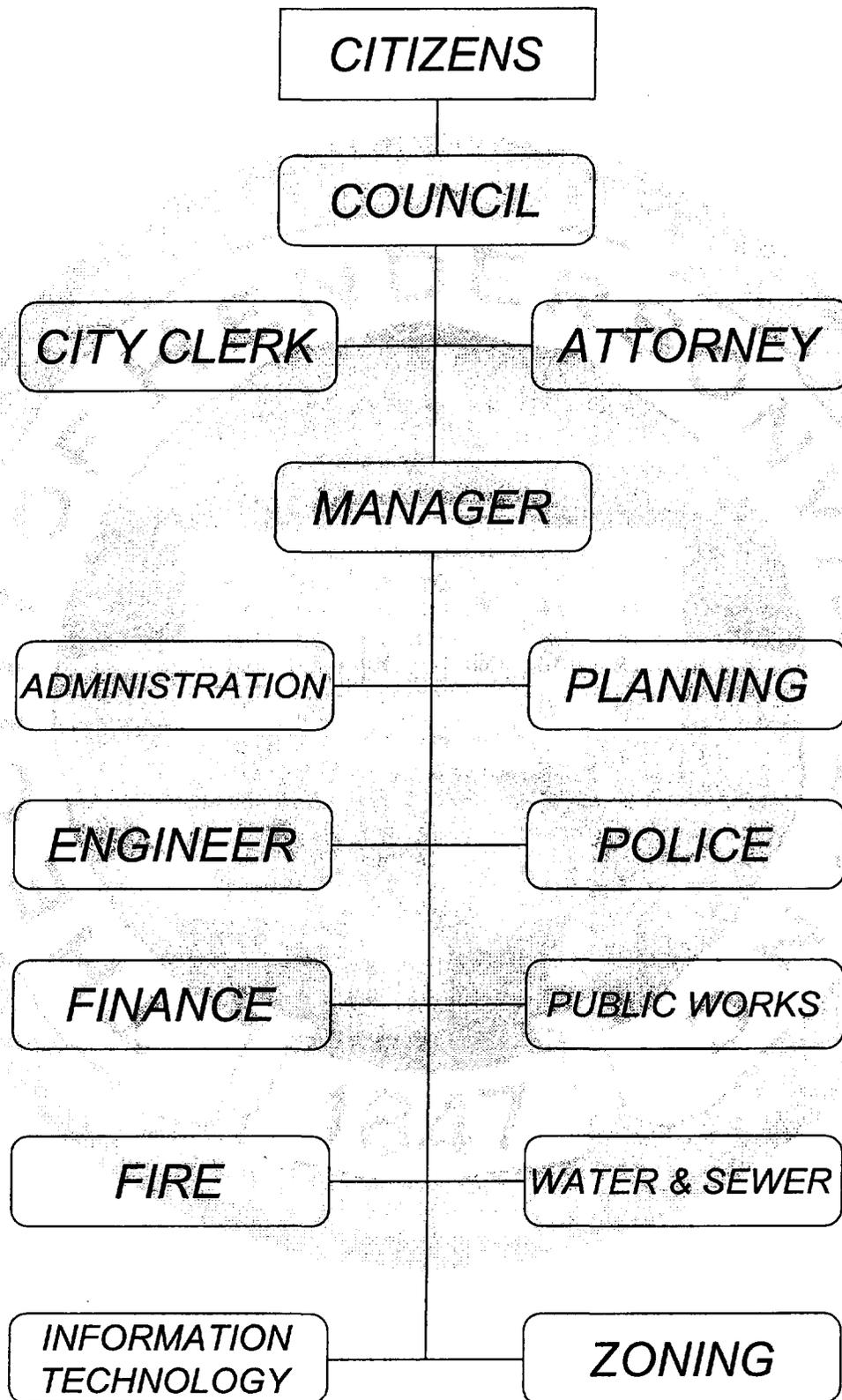
President

*Jeffrey R. Emmer*

Executive Director

# **CITY OF HENDERSONVILLE**

## *Organizational Chart*



**CITY OF HENDERSONVILLE OFFICIALS**

**CITY COUNCIL**

Mayor.....Greg Newman

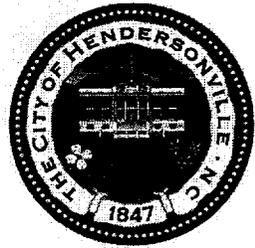
Mayor Pro-Tem.....Barbara Volk

Jeff Collis  
Jon Laughter  
William O'Cain

---

**CITY STAFF**

City Manager . . . . . Chris A. Carter  
City Clerk . . . . . Tammie K. Drake  
City Attorney. . . . . Sam H. Fritschner  
Finance Director . . . . . James W. Rudisill



# **FINANCIAL SECTION**

**INDEPENDENT  
AUDITORS' REPORT**

# CARLAND & ANDERSEN INCORPORATED

RONALD G. CARLAND, CPA  
TERRY B. ANDERSEN, CPA

F.T. CARLAND, CPA  
MYRA L. DAVIS, CPA  
HAROLD C. REID, CPA

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET  
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NORTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Greg Newman, Mayor  
and the Board of Commissioners  
City of Hendersonville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Hendersonville ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2006 on our consideration of the City of Hendersonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules, and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

November 29, 2006

*Carew & Anderson Incorporated*

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hendersonville, we offer readers of Hendersonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

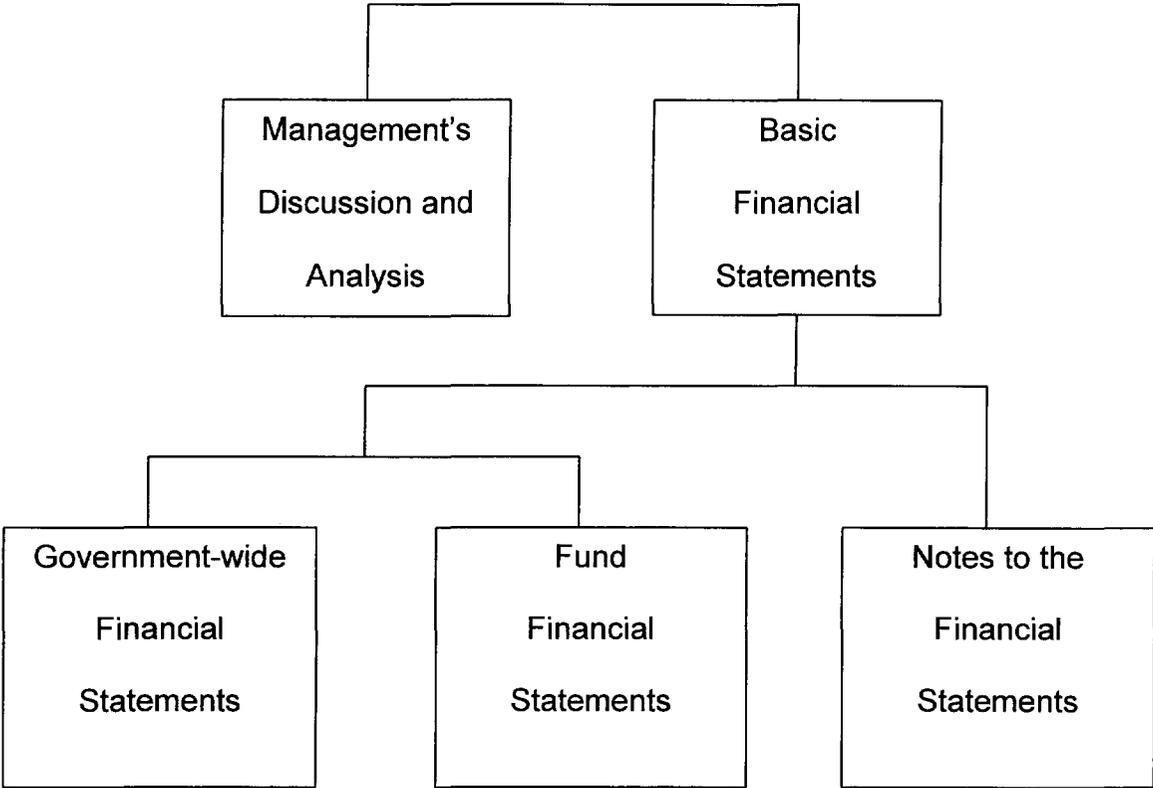
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$78,014,575 (*net assets*).
- The government's total net assets *increased* by \$6,569,313, primarily due to *increases* in the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,347,379 an *increase* of \$686,715 in comparison with the prior year. Approximately 88 percent of this total amount, or \$9,976,693, is available for spending at the government's discretion (**unreserved fund balance**).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,901,729 or 60 percent of total general fund expenditures for the fiscal year.
- The City's total debt *decreased* by \$1,438,735 or 9.5% during the current fiscal year. The key factor in this decrease was the reduction in principal and interest on all outstanding debt without incurring and new financial obligations related to bonds or notes.
- Hendersonville maintained its bond ratings of Aa from Moody's Investor Service and A+ from Standard & Poor's.

### Overview of the Financial Statements

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

# Required Components of Annual Financial Report

Figure 1



Summary → Detail

## Basic Financial Statements

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

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

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

## **Government-wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge Hendersonville's financial condition.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hendersonville, like all other governmental entities in North Carolina, uses fund accounting to ensure and 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 Hendersonville can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27--50 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

## Government-Wide Financial Analysis

### The City of Hendersonville's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 11,821,432	\$ 11,356,681	\$ 23,812,269	\$ 20,376,707	\$ 35,633,701	\$ 31,733,388
Capital assets	16,110,849	15,783,068	45,442,964	45,466,235	61,553,813	61,249,303
Total assets	<u>27,932,281</u>	<u>27,139,749</u>	<u>69,255,233</u>	<u>65,842,942</u>	<u>97,187,514</u>	<u>92,982,691</u>
Long-term liabilities outstanding	4,048,416	4,272,961	12,147,486	13,604,513	16,195,902	17,877,474
Other liabilities	1,009,125	1,482,718	1,967,912	2,177,237	2,977,037	3,659,955
Total liabilities	<u>5,057,541</u>	<u>5,755,679</u>	<u>14,115,398</u>	<u>15,781,750</u>	<u>19,172,939</u>	<u>21,537,429</u>
Net assets:						
Invested in capital assets, net of related debt	12,114,182	11,311,106	31,851,856	30,438,942	43,966,038	41,750,048
Restricted	319,871	448,609			319,871	448,609
Unrestricted	10,440,777	9,624,355	23,287,979	19,622,250	33,728,756	29,246,605
Total net assets	<u>\$ 22,874,830</u>	<u>\$ 21,384,070</u>	<u>\$ 55,139,835</u>	<u>\$ 50,061,192</u>	<u>\$ 78,014,665</u>	<u>\$ 71,445,262</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Hendersonville exceeded liabilities by \$78,014,575 as of June 30, 2006. Hendersonville's net assets *increased* by \$6,569,313 for the fiscal year ended June 30, 2006. However, the largest portion (56.4%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (0.41%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,728,756 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.08 % as compared to the statewide average of 97.36%
- Increased sales tax revenues of approximately \$143,850 due to economic growth in the City.
- Continuation of annexation of those areas with large assessed property valuation and people.
- Continued low cost of debt due to the City's high bond rating.

**City of Hendersonville's Changes in Net Assets**  
Figure 3

	Governmental Activities	Business-type Activities	Total
	2006	2006	2006
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 326,216	\$ 13,093,971	\$ 13,420,187
Operating grants and contributions	509,555	-	509,555
Capital grants and contributions	726,529	660,761	1,387,290
General revenues:			
Property taxes	5,582,874	-	5,582,874
Other taxes	3,571,885	-	3,571,885
Grants and contributions not restricted to specific programs	107,500	-	107,500
Other	945,910	525,358	1,471,268
Total revenues	<u>11,770,469</u>	<u>14,280,090</u>	<u>26,050,559</u>
<b>Expenses:</b>			
General government	1,590,212	-	1,590,212
Public safety	4,960,503	-	4,960,503
Transportation	1,991,132	-	1,991,132
Parks & drainage	488,727	-	488,727
Environmental	5,000	-	5,000
Economic development	180,915	-	180,915
Culture and recreation	133,574	-	133,574
Interest on long-term debt	215,476	-	215,476
Water and sewer		8,925,895	8,925,895
Solid Waste		989,812	989,812
Total expenses	<u>9,565,539</u>	<u>9,915,707</u>	<u>19,481,246</u>
Increase in net assets before transfers	2,204,930	4,364,383	6,569,313
Transfers	<u>(714,260)</u>	<u>714,260</u>	
Increase in net assets	1,490,670	5,078,643	6,569,313
Net assets, July 1	<u>21,384,070</u>	<u>50,061,192</u>	<u>71,445,262</u>
Net assets, June 30	<u>\$ 22,874,740</u>	<u>\$ 55,139,835</u>	<u>\$ 78,014,575</u>

**Governmental activities.** Governmental activities increased Hendersonville's net assets by \$1,490,670 thereby accounting for 22.7% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Grant revenues in the cultural and recreational area and in the economic development area were used to construct capital assets.
- Tax revenues increased due to annexation.
- Parking revenues increased due to additional enforcement.

**Business-type activities:** Business-type activities increased the City's net assets by \$5,078,643 accounting for 77.3% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase due to an increase in operating revenues associated with a water and sewer fee rate adjustment and sale of fixed assets.

## **Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Hendersonville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,686,329, while total fund balance reached \$8,056,080. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 83 percent of total General Fund expenditures.

At June 30, 2006, the governmental funds of the City of Hendersonville reported a combined fund balance of \$11,347,379, a 6.4 percent increase over last year. Included in this change in fund balance are an increase in fund balance of the General Fund and Non-Major Funds; and, a decrease in Capital Projects Fund.

The increase in the General Fund was due to an increase in total revenue over expenditures. The revenue increase was attributable to an increase in property tax collections, sales and use tax receipts, franchise fees, and investment income.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, 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.

Revenues were more than the budgeted amounts primarily due to increases in property tax revenue, sales tax revenue, North Carolina Department of Transportation (DOT) reimbursements and the sale of fixed assets. Expenditures were significantly more than the prior year due to an increase in spending for capital outlay and major bridge repairs mandated by DOT. During the year there was a \$1,113,408 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$889,773 supplemental appropriation for transportation for bridge construction and repair; and
- \$223,635 supplemental appropriation for general government for a new fleet maintenance facility and additional legal services.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$22,859,035, and those for the Solid Waste Fund amounted to \$428,944. The total growth in net assets for both funds was \$2,971,882 and (\$37,586), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## **Capital Asset and Debt Administration**

**Capital Assets.** Hendersonville's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$61,553,813 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and demolitions or disposals:

- Construction of water and sewer lines and acquisition of equipment totaled \$793,479. Equipment acquisition accounted for 56% of the total outlay.
- Construction and repair of bridges and sidewalks totaled \$466,199. Bridge rehabilitation accounted for 96 percent of these expenditures.
- Replaced five Police Department patrol vehicles for a total cost of \$105,584.
- Demolished old Police Department and adjacent buildings to construct a parking lot for Police Department personnel, residents of Skyland Hotel and a few public metered spaces totaling \$127,102.

## City of Hendersonville's Capital Assets

**Figure 4**

	Governmental Activities	Business-type Activities	Total
	2006	2006	2006
Land	\$ 950,061	\$ 907,898	\$ 1,857,959
Buildings and systems	6,673,431	19,331,470	26,004,901
Improvements other than buildings	695,027	22,883,015	23,578,042
Machinery and equipment	294,904	238,549	533,453
Infrastructure	5,980,294	-	5,980,294
Vehicles and motorized equipment	1,517,132	460,564	1,977,696
Construction in progress	-	1,621,468	1,621,468
<b>Total</b>	<b>\$ 16,110,849</b>	<b>\$ 45,442,964</b>	<b>\$ 61,553,813</b>

Additional information on Hendersonville's capital assets can be found in Note II-A of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2006, Hendersonville had total bonded debt outstanding of \$2,435,000. Of this, \$1,080,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents loans secured solely by lien on the particular assets financed.

**City of Hendersonville's Outstanding Debt  
General Obligation Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 1,080,000	\$ 1,170,000	\$ 1,355,000	\$ 1,645,000	\$ 2,435,000	\$ 2,815,000
<b>Total</b>	<b>\$ 1,080,000</b>	<b>\$ 1,170,000</b>	<b>\$ 1,355,000</b>	<b>\$ 1,645,000</b>	<b>\$ 2,435,000</b>	<b>\$ 2,815,000</b>

The City of Hendersonville's total debt decreased by \$1,143,735 or 9.5% during the past fiscal year, primarily due to the payments of principal and interest on the current outstanding debt service requirement. The government issued no new installment purchase debt during the fiscal year.

As mentioned in the financial highlights section of this document, the City maintained for the seventh consecutive year, its A+ bond rating from Standard and Poor's Corporation and A2 rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of the City of Hendersonville. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Hendersonville is \$81,395,164. The City has \$2,100,000 bonds authorized but un-issued at June 30, 2006.

In the past the City refinanced \$1,955,929 of installment purchase financing debt with BB&T Government Finance to take advantage of historically low interest rates. As of June 30, 2006, the City has saved approximately \$47,291.78. The City will realize a net present value savings of \$64,377.55 over the life of the loans. See Note B: *Liabilities* on page 48 of this report for more information.

Additional information regarding the City of Hendersonville's long-term debt can be found in Note B: *Liabilities* beginning on page 45 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

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

- Low unemployment. The City's unemployment rate of 3.4% is well below the State average of 4.6%.
- Importance of manufacturing jobs. In today's economy manufacturing payroll amounts exceed tourism and agriculture combined.
- Approximately 150 businesses, including seven major banks, are located in the Historic Downtown Hendersonville central business district.
- Diverse economy that includes manufacturing, agriculture, tourism and large retiree community.
- A vibrant downtown business district offering many civic, social, cultural and economic activities.
- Moderate climate and many attractions that make tourism a valuable part of the local economy.

## **Budget Highlights for the Fiscal Year Ending June 30, 2007**

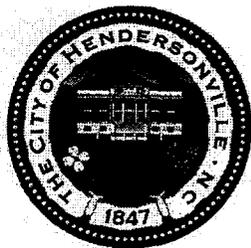
**Governmental Activities:** Property taxes (benefiting from the economic growth and annexation) and revenue sales and use taxes are expected to lead the increase in budgeted revenue by 5.8 percent. The City will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise 5.2%, which represents an increase of \$596,600. One of the largest areas of increase is in employee compensation, including the funding of health insurance and other fringe benefit adjustments attributable to the addition of five employees for the Police Department. Capital outlay appropriations will increase substantially due to costs associated with the acquisition of a new fire truck and nine police vehicles.

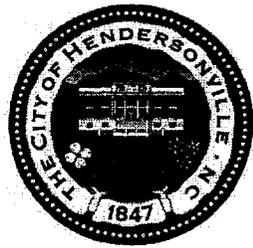
**Business – type Activities:** The water and sewer rates in the City will increase by 3% to 7% depending upon the customer classification and amount of water consumption. The majority of City residential customers will see a modest 3% increase. Total water and sewer expenses will increase by 9.3% with the majority of the increase being attributable to an increase in spending for capital outlay. Total operating costs will decrease 6.5% due to a reduction in the amount of funds budgeted for contracted services. Personnel costs increased 5.3% mostly due to the addition of a new position in Shop Operations necessitated by the increase in work load for construction inspection.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Post Office Box 1670, Hendersonville, North Carolina 28793. *File: MSWORD Blank\_MDA\_City.*



# **BASIC FINANCIAL STATEMENTS**



CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 7,988,009	\$ 16,084,837	\$ 24,072,846	\$ 622,962
Investments	2,867,259	5,679,687	8,546,946	
Receivables (net)				
Taxes	112,408		112,408	
Accounts	143,482	1,521,896	1,665,378	360
Grants	31,445		31,445	
Shared taxes	589,886		589,886	
Refundable taxes	61,443	120,311	181,754	
Due from component unit	27,500		27,500	
Inventories		405,538	405,538	526,812
Prepaid expenses				2,393
Total current assets	<u>\$ 11,821,432</u>	<u>\$ 23,812,269</u>	<u>\$ 35,633,701</u>	<u>\$ 1,152,527</u>
<b>Capital assets (Note 1):</b>				
Land, non-depreciable improvements and construction in progress	\$ 950,061	\$ 2,529,366	\$ 3,479,427	\$ 263,794
Other capital assets, net of depreciation	15,160,788	42,913,598	58,074,386	604,026
Total capital assets	<u>\$ 16,110,849</u>	<u>\$ 45,442,964</u>	<u>\$ 61,553,813</u>	<u>\$ 867,820</u>
Total assets	<u>\$ 27,932,281</u>	<u>\$ 69,255,233</u>	<u>\$ 97,187,514</u>	<u>\$ 2,020,347</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 231,988	\$ 136,444	\$ 368,432	\$ 225,739
Salaries payable	129,657	65,540	195,197	
Accrued interest payable	34,234	71,986	106,220	
Customer deposits		114,425	114,425	
Due to primary government				27,500
Long-term liabilities due within one year	613,246	1,579,517	2,192,763	
Total current liabilities	<u>\$ 1,009,125</u>	<u>\$ 1,967,912</u>	<u>\$ 2,977,037</u>	<u>\$ 253,239</u>
Long-term liabilities due in more than one year	<u>\$ 4,048,416</u>	<u>\$ 12,147,486</u>	<u>\$ 16,195,902</u>	
Total liabilities	<u>\$ 5,057,541</u>	<u>\$ 14,115,398</u>	<u>\$ 19,172,939</u>	<u>\$ 253,239</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	\$ 12,114,182	\$ 31,851,856	\$ 43,966,038	\$ 867,820
Restricted for:				
Transportation	319,781		319,781	
Capital improvements				30,629
Working capital				130,050
Unrestricted	10,440,777	23,287,979	33,728,756	738,609
Total net assets	<u>\$ 22,874,740</u>	<u>\$ 55,139,835</u>	<u>\$ 78,014,575</u>	<u>\$ 1,767,108</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues			
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental Activities:				
General government	\$ 1,590,212			
Public safety	4,960,503	\$ 161,804	\$ 120,300	\$ 64,109
Transportation	1,991,132	59,204	384,255	583,340
Parks and drainage	488,727	21,030		
Environmental protection	5,000		5,000	
Economic and physical development	180,915			79,080
Cultural and recreational	133,574	84,178		
Interest on long-term debt	215,476			
<u>Total governmental activities (Note 1)</u>	<u>\$ 9,565,539</u>	<u>\$ 326,216</u>	<u>\$ 509,555</u>	<u>\$ 726,529</u>
Business-type activities:				
Water and Sewer	\$ 8,925,895	\$ 12,586,225		\$ 660,761
Solid Waste	989,812	507,746		
<u>Total business-type activities</u>	<u>\$ 9,915,707</u>	<u>\$ 13,093,971</u>	<u>\$ 0</u>	<u>\$ 660,761</u>
<u>Total primary government</u>	<u>\$ 19,481,246</u>	<u>\$ 13,420,187</u>	<u>\$ 509,555</u>	<u>\$ 1,387,290</u>
Component Unit:				
ABC Board	\$ 3,313,419	\$ 3,406,011		
<u>Total component unit</u>	<u>\$ 3,313,419</u>	<u>\$ 3,406,011</u>		

General revenues:

Taxes:  
  Property taxes, levied for general purposes  
  Other taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Transfers

Change in net assets

Net assets - beginning, July 1

Net assets - ending, June 30

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (1,590,212)		\$ (1,590,212)	
(4,614,290)		(4,614,290)	
(964,333)		(964,333)	
(467,697)		(467,697)	
0		0	
(101,835)		(101,835)	
(49,396)		(49,396)	
(215,476)		(215,476)	
<u>\$ (8,003,239)</u>		<u>\$ (8,003,239)</u>	
	\$ 4,321,091	\$ 4,321,091	
	(482,066)	(482,066)	
	\$ 3,839,025	\$ 3,839,025	
<u>\$ (8,003,239)</u>	<u>\$ 3,839,025</u>	<u>\$ (4,164,214)</u>	
			\$ 92,592
			\$ 92,592
\$ 5,582,874		\$ 5,582,874	
3,571,885		3,571,885	
107,500		107,500	
620,041	\$ 511,490	1,131,531	\$ 22,021
325,869	13,868	339,737	
(714,260)	714,260	0	
<u>\$ 1,490,670</u>	<u>\$ 5,078,643</u>	<u>\$ 6,569,313</u>	<u>114,613</u>
<u>21,384,070</u>	<u>50,061,192</u>	<u>71,445,262</u>	<u>1,652,495</u>
<u>\$ 22,874,740</u>	<u>\$ 55,139,835</u>	<u>\$ 78,014,575</u>	<u>\$ 1,767,108</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Major Funds			
	General Fund	Capital Reserve Fund	Total Non-Major Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 7,564,904	\$ 49,717	\$ 373,388	\$ 7,988,009
Investments		2,867,259		2,867,259
Receivables (net)				
Taxes	110,375		2,033	112,408
Accounts	143,482			143,482
Grants			31,445	31,445
Shared taxes	589,886			589,886
Refundable taxes	59,382		2,061	61,443
Due from component unit	27,500			27,500
Due from other funds	32,571			32,571
	<u>\$ 8,528,100</u>	<u>\$ 2,916,976</u>	<u>\$ 408,927</u>	<u>\$ 11,854,003</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 231,988			\$ 231,988
Salaries payable	129,657			129,657
Due to other funds			\$ 32,571	32,571
Deferred revenues	110,375		2,033	112,408
	<u>\$ 472,020</u>	<u>\$ 2,916,976</u>	<u>\$ 34,604</u>	<u>\$ 506,624</u>
Fund balances:				
Reserved by State statute	\$ 852,820		\$ 935	\$ 853,755
Reserved for encumbrances	197,150			197,150
Reserved for streets-Powell Bill	319,781			319,781
Unreserved, designated subsequent year's budget	784,600			784,600
Special Revenue funds			47,500	47,500
Unreserved	5,901,729	\$ 2,916,976		8,818,705
Unreserved, reported in:				
Special Revenue funds			52,585	52,585
Capital Projects Fund			273,303	273,303
	<u>\$ 8,056,080</u>	<u>\$ 2,916,976</u>	<u>\$ 374,323</u>	<u>\$ 11,347,379</u>
	<u>\$ 8,528,100</u>	<u>\$ 2,916,976</u>	<u>\$ 408,927</u>	<u>\$ 11,854,003</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

Exhibit 3

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 16,110,849
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	112,408
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(34,234)
Bonds payable	(1,080,000)
Notes payable	(2,916,667)
Compensated absences payable	(434,722)
Net pension benefit-Special Separation Allowance	(230,273)
Total adjusting items	\$ 11,527,361
Total fund balances	11,347,379
Net assets of governmental activities	\$ 22,874,740

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Major Funds			
	General Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,309,803		\$ 186,559	\$ 5,496,362
Other taxes and licenses	2,630,971			2,630,971
Unrestricted intergovernmental	912,419			912,419
Restricted intergovernmental	1,092,028		228,243	1,320,271
Permits and fees	169,562			169,562
Sales and services	170,312			170,312
Investment earnings	501,524	\$ 95,413	23,104	620,041
Miscellaneous	105,680		283,512	389,192
<b>Total revenues</b>	<b>\$ 10,892,299</b>	<b>\$ 95,413</b>	<b>\$ 721,418</b>	<b>\$ 11,709,130</b>
<b>Expenditures:</b>				
General government	\$ 1,543,951		\$ 115,527	\$ 1,659,478
Public safety	4,530,075		146,212	4,676,287
Transportation	2,260,783		16,475	2,277,258
Parks and drainage	567,525			567,525
Environmental protection			5,000	5,000
Economic and physical development			295,194	295,194
Cultural and recreational	133,574			133,574
Debt service:				
Principal	475,296			475,296
Interest and fees	218,542			218,542
<b>Total expenditures</b>	<b>\$ 9,729,746</b>	<b>\$ 0</b>	<b>\$ 578,408</b>	<b>\$ 10,308,154</b>
<b>Revenues over (under) expenditures</b>	<b>\$ 1,162,553</b>	<b>\$ 95,413</b>	<b>\$ 143,010</b>	<b>\$ 1,400,976</b>
<b>Other financing sources (uses):</b>				
Transfers in (out) :				
Enterprise funds	\$ (714,260)			\$ (714,260)
General Fund / Capital Reserve Fund	542,630	\$ (542,630)		
General Fund / Nonmajor Funds	238,351		\$ (238,351)	
<b>Total other financing sources (uses)</b>	<b>\$ 66,721</b>	<b>\$ (542,630)</b>	<b>\$ (238,351)</b>	<b>\$ (714,260)</b>
<b>Net change in fund balances</b>	<b>\$ 1,229,274</b>	<b>\$ (447,217)</b>	<b>\$ (95,341)</b>	<b>\$ 686,716</b>
Fund balances:				
Beginning of year, July 1	6,826,806	3,364,194	469,664	10,660,664
<b>End of year, June 30</b>	<b>\$ 8,056,080</b>	<b>\$ 2,916,977</b>	<b>\$ 374,323</b>	<b>\$ 11,347,380</b>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 1,264,009
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(911,056)</u>
The amount by which capital outlays exceeded depreciation in the current period was	<u>\$ 352,953</u>
The net effect of various miscellaneous transactions involving capital assets(i.e. sales, trade-ins, and disposals) is to decrease net assets	<u>\$ (25,173)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	<u>\$ 86,512</u>
The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	
This is the amount expended for the retirement of principal of long-term debt.	<u>475,295</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ (43,703)
Change in net pension obligation	(44,997)
Change in accrued interest payable	<u>3,067</u>
Total adjusting items	<u>\$ 803,954</u>
Net changes in fund balances - total governmental funds	<u>686,716</u>
Total changes in net assets of governmental activities	<u>\$ 1,490,670</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,981,000	\$ 4,981,000	\$ 5,309,803	\$ 328,803
Other taxes and licenses	2,570,000	2,570,000	2,630,971	60,971
Unrestricted intergovernmental	756,500	756,500	912,419	155,919
Restricted intergovernmental	427,210	1,020,523	1,092,028	71,505
Permits and fees	47,450	47,450	169,562	122,112
Sales and services	162,300	162,300	170,312	8,012
Investment earnings	71,000	71,000	501,524	430,524
Miscellaneous	22,300	22,300	105,680	83,380
<b>Total revenues</b>	<b>\$ 9,037,760</b>	<b>\$ 9,631,073</b>	<b>\$ 10,892,299</b>	<b>\$ 1,261,226</b>
<b>Expenditures:</b>				
General government	\$ 1,676,590	\$ 1,805,398	\$ 1,543,951	\$ 261,447
Public safety	4,930,930	4,965,660	4,530,075	435,585
Transportation	1,649,770	2,539,543	2,260,783	278,760
Parks and drainage	623,470	636,373	567,525	68,848
Cultural and recreational	208,520	208,520	133,574	74,946
<b>Debt service:</b>				
Principal	475,320	475,320	475,296	24
Interest and fees	212,340	212,340	218,542	(6,202)
<b>Total expenditures</b>	<b>\$ 9,776,940</b>	<b>\$ 10,843,154</b>	<b>\$ 9,729,746</b>	<b>\$ 1,113,408</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (739,180)</b>	<b>\$ (1,212,081)</b>	<b>\$ 1,162,553</b>	<b>\$ 2,374,634</b>
<b>Other financing sources (uses):</b>				
<b>Transfers in (out) :</b>				
Enterprise funds	\$ (1,460,480)	\$ (1,460,480)	\$ (714,260)	\$ 746,220
Seventh Avenue East Tax District Fund		(5,300)	(5,300)	
Capital Project Fund-City Hall Renov'n			243,651	243,651
Capital Reserve Fund	1,397,210	1,397,210	542,630	(854,580)
General Fund				
Contingencies budgeted (expenditures)	(150,000)	(150,000)		150,000
Fund balance appropriated	952,450	1,430,651		(1,430,651)
<b>Total other financing sources (uses)</b>	<b>\$ 739,180</b>	<b>\$ 1,212,081</b>	<b>\$ 66,721</b>	<b>\$ (1,145,360)</b>
<b>Revenues and other financing sources over (under) expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,229,274</b>	<b>\$ 1,229,274</b>
<b>Fund balances:</b>				
Beginning of year, July 1			6,826,806	
End of year, June 30			<u>\$ 8,056,080</u>	

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit 5

Special Revenue Fund - Capital Reserve Fund			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Final	Actual	
\$ 15,000	\$ 5,000	\$ 95,413	\$ 90,413
\$ 15,000	\$ 5,000	\$ 95,413	\$ 90,413
\$ 15,000	\$ 5,000	\$ 95,413	\$ 90,413
\$ (1,397,210)	\$ (1,397,210)	\$ (542,630)	\$ 854,580
1,382,210	1,392,210		(1,392,210)
\$ (15,000)	\$ (5,000)	\$ (542,630)	\$ (537,630)
\$ 0	\$ 0	\$ (447,217)	\$ (447,217)
		3,364,194	
		\$ 2,916,977	

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

Exhibit 6

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 404,437	\$ 15,680,400	\$ 16,084,837
Investments		5,679,687	5,679,687
Accounts receivable (net)	74,528	1,447,368	1,521,896
Sales taxes refundable	6,490	113,821	120,311
Inventories		405,538	405,538
<b>Total current assets</b>	<b>\$ 485,455</b>	<b>\$ 23,326,814</b>	<b>\$ 23,812,269</b>
Noncurrent assets:			
Land and other non-depreciable assets		\$ 2,529,366	\$ 2,529,366
Other capital assets, net of depreciation	\$ 286,691	42,626,907	42,913,598
<b>Capital assets (net)</b>	<b>\$ 286,691</b>	<b>\$ 45,156,273</b>	<b>\$ 45,442,964</b>
<b>Total noncurrent assets</b>	<b>\$ 286,691</b>	<b>\$ 45,156,273</b>	<b>\$ 45,442,964</b>
<b>Total Assets</b>	<b>\$ 772,146</b>	<b>\$ 68,483,087</b>	<b>\$ 69,255,233</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 33,630	\$ 102,814	\$ 136,444
Salaries payable	7,502	58,038	65,540
Customer deposits		114,425	114,425
Accrued bond and note interest		71,986	71,986
Compensated absences	15,379	120,516	135,895
Bonds payable-current maturities (net)		270,678	270,678
Notes payable-current portion	20,698	1,152,246	1,172,944
<b>Total current liabilities</b>	<b>\$ 77,209</b>	<b>\$ 1,890,703</b>	<b>\$ 1,967,912</b>
Noncurrent liabilities:			
Bonds payable-noncurrent portion (net)	\$	\$ 1,027,125	\$ 1,027,125
Notes payable-noncurrent portion	43,454	11,076,907	11,120,361
<b>Total noncurrent liabilities</b>	<b>\$ 43,454</b>	<b>\$ 12,104,032</b>	<b>\$ 12,147,486</b>
<b>Total Liabilities</b>	<b>\$ 120,663</b>	<b>\$ 13,994,735</b>	<b>\$ 14,115,398</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 222,539	\$ 31,629,317	\$ 31,851,856
Unrestricted	428,944	22,859,035	23,287,979
<b>Total Net Assets</b>	<b>\$ 651,483</b>	<b>\$ 54,488,352</b>	<b>\$ 55,139,835</b>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit 7

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 506,934	\$ 11,002,873	\$ 11,509,807
Other operating revenues	812	1,583,352	1,584,164
<b>Total operating revenues</b>	<b>\$ 507,746</b>	<b>\$ 12,586,225</b>	<b>\$ 13,093,971</b>
Operating expenses:			
Administration		\$ 666,826	\$ 666,826
Business operations		766,814	766,814
Water treatment and distribution		3,689,037	3,689,037
Waste collection and treatment	\$ 949,494	1,673,652	2,623,146
Depreciation	37,743	1,631,186	1,668,929
<b>Total operating expenses</b>	<b>\$ 987,237</b>	<b>\$ 8,427,515</b>	<b>\$ 9,414,752</b>
<b>Operating income (loss)</b>	<b>\$ (479,491)</b>	<b>\$ 4,158,710</b>	<b>\$ 3,679,219</b>
Non-operating revenues (expenses):			
Interest earned on investments		\$ 511,490	\$ 511,490
Interest on long-term debt	\$ (2,575)	(498,380)	(500,955)
Other		13,868	13,868
<b>Total non-operating revenues (net)</b>	<b>\$ (2,575)</b>	<b>\$ 26,978</b>	<b>\$ 24,403</b>
Income (loss) before contributions and transfers	\$ (482,066)	\$ 4,185,688	\$ 3,703,622
Capital contributions		660,761	660,761
Transfer from General Fund	\$ 613,380	100,880	714,260
<b>Change in net assets</b>	<b>\$ 131,314</b>	<b>\$ 4,947,329</b>	<b>\$ 5,078,643</b>
<b>Total net assets - beginning, July 1</b>	<b>520,169</b>	<b>49,541,023</b>	<b>50,061,192</b>
<b>Total net assets - ending, June 30</b>	<b>\$ 651,483</b>	<b>\$ 54,488,352</b>	<b>\$ 55,139,835</b>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 476,949	\$ 10,607,019	\$ 11,083,968
Cash paid for goods and services	(575,388)	(3,725,815)	(4,301,203)
Cash paid to employees for services	(384,522)	(3,236,748)	(3,621,270)
Customer deposits received		106,122	106,122
Customer deposits returned		(70,260)	(70,260)
Other operating revenue		1,583,351	1,583,351
Net cash provided (used) by operating activities	\$ (482,961)	\$ 5,263,669	\$ 4,780,708
Cash flows from noncapital and financing related activity:			
Operating subsidy-General Fund	\$ 613,380	\$ 100,880	714,260
Net cash provided by noncapital and related financing activity	\$ 613,380	\$ 100,880	\$ 714,260
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (156,501)	\$ (1,505,960)	\$ (1,662,461)
Sale of capital assets	11,113		11,113
Capital contribution from grants		731,367	731,367
Principal paid on bonds		(290,000)	(290,000)
Principal paid on notes	(20,042)	(1,140,465)	(1,160,507)
Interest on bonds and notes	(2,575)	(493,591)	(496,166)
Net cash provided (used) by capital and related financing activities	\$ (168,005)	\$ (2,698,649)	\$ (2,866,654)
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		\$ 3,942,892	\$ 3,942,892
Purchases of investments		(4,148,400)	(4,148,400)
Interest on investments	\$ 0	511,490	511,490
Net cash provided (used) by investing activities	\$ 0	\$ 305,982	\$ 305,982
Net increase (decrease) in cash and cash equivalents	\$ (37,586)	\$ 2,971,882	\$ 2,934,296
Cash and cash equivalents:			
Balances - beginning of year	442,023	12,708,518	13,150,541
Balances - end of year	\$ 404,437	\$ 15,680,400	\$ 16,084,837

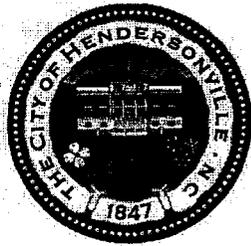
The notes to the financial statements are an integral part of this statement

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit 8

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (479,491)	\$ 4,158,710	\$ 3,679,219
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	\$ 37,743	\$ 1,631,186	\$ 1,668,929
Increase (decrease) in allowance for uncollectible accounts	6,149	19,453	25,602
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(36,946)	(319,677)	(356,623)
Refundable taxes receivable	(2,207)	(50,234)	(52,441)
Grants receivable		70,606	70,606
Inventory		(70,088)	(70,088)
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	(6,045)	(212,022)	(218,067)
Salaries payable	(4,076)	(31,902)	(35,978)
Customer deposits		35,862	35,862
Accrued interest on bonds and notes		(9,532)	(9,532)
Compensated absences payable	1,912	(4,463)	(2,551)
(Decrease) in payables for capital expenditures		45,770	45,770
Total adjustments	\$ (3,470)	\$ 1,104,959	\$ 1,101,489
Net cash provided (used) by operating activities	<u>\$ (482,961)</u>	<u>\$ 5,263,669</u>	<u>\$ 4,780,708</u>

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



CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit 9

	Firemen's Relief Fund <u>June 30, 2006</u>
<b>ASSETS</b>	
Investments	<u>\$ 513,910</u>
<b>LIABILITIES</b>	
Due to other units	<u>\$ 513,910</u>

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



**NOTES TO FINANCIAL  
STATEMENTS**



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the City of Hendersonville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government and its discretely presented component 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.

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

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

**City of Hendersonville Board of Alcoholic Control:**

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

**B. BASIS OF PRESENTATION - - FUND ACCOUNTING:**

**Government-wide statements:**

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Fund Financial Statements:**

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

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

The City reports the following major governmental funds:

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

**Capital Reserve Fund** - The Capital Reserve Fund was established to accumulate resources for future equipment purchases and capital improvements, including the renovation of City Hall and a City contribution to the Oklawaha Greenways Project Grant Fund. . The Capital Reserve Fund is a special revenue fund and adopts an annual budget.

The City reports the following nonmajor governmental funds:

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

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. Boys & Girls Club "YES" Program Grant Fund was established to administer a federal grant involving activities for at-risk youth, to reduce the incidence of violence.
4. CDBG Village at King Creek Grant Fund was established to administer a federal grant to fund neighborhood improvements in a low income housing area.
5. Communications Initiative Grant Fund was established to administer a federal grant which provided funds for computers and communication for the Police Department.
6. Governor's Highway Safety Program Grant Fund was established to administer a federal grant which provided funds for speed detection equipment for the Police Department.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

7. Safer Parks Grant Fund was established to administer a federal grant pay for increased patrols of local Parks.
8. Hazard Mitigation Plan Grant Fund was established to administer a federal grant to mitigate the effects of natural disasters on property located within the City.
9. Homeland Security Firefighters Grant Fund was established to administer a federal grant to fund the purchase of a firetruck and associated fire fighting equipment.
10. 2003 Local Law Enforcement Block Grant Fund was established during the 2003-2004 fiscal year to administer the proceeds of a Federal grant. Grant money has been provided for additional public safety equipment, but none has yet been spent. There was no current year activity, but the entire grant was expended in the months following yearend.

**Capital Projects Funds** - Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City has two capital projects funds:

1. Sidewalk Construction Fund was established to account for the use of the proceeds of general obligation bonds issued during the 1997-1998 year, and has continued repairing, constructing and replacing a major portion of the City's sidewalks.
2. City Hall Renovation Fund was established to account for the renovation of the Historic City Hall building, expected to span more than one fiscal year. The renovation was completed during the current year.

**Trust and Agency Funds** - Trust and Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has been designated to act as custodian for the investments of the Board of Trustees of the City of Hendersonville Supplemental Firemen's Relief Fund. The City is acting merely as administrator for the board by investing its excess cash, disbursing quarterly benefit checks, and paying various operating expenses. The City of Hendersonville Supplemental Firemen's Relief Fund receives yearly contributions from the North Carolina Department of Insurance. It is not a responsibility of the City, and the City does not control its board of trustees. The City does not maintain any Trust Funds.

The City reports the following major enterprise funds:

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Hendersonville has two major Enterprise Funds: (1) the Solid Waste Fund and (2) the Water and Sewer Fund. Debt service and long-term obligations of these funds are recorded within the respective funds.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:**

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

**Government-wide and Proprietary Fund Financial Statements:**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:**

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

The City considers all revenues available if they are collected within 120 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

Effective with this change in the law, Henderson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Hendersonville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Henderson County from March, 2005 through February, 2006 apply to the fiscal year ended June 30, 2006.

Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2006-2007 fiscal year and are not shown as receivables at June 30, 2006. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006, because they are intended to finance the City's operations during the 2006-2007 fiscal year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

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

As permitted by generally accepted accounting principles, the City has elected to apply applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**D. BUDGETARY DATA:**

**Budget:**

The North Carolina Local Government Budget and Fiscal Control Act (General Statute 159, Article 3) requires the adoption of a balanced budget on an annual basis by July 1. A budget calendar is included in the general statutes which prescribes the last day on which certain steps of the budget process are to be performed. The City Council adopted the budget ordinance on June 9, 2005. Project ordinances are adopted for any new capital or grant projects and stay in effect for the life of the project(s). All annual appropriations lapse at fiscal year-end. Annual budgets are adopted for all funds, except capital projects funds and special revenue grant project funds. Capital projects funds and special revenue grant project funds adopt budgets which run the lengths of the projects.

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

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The budget is amended throughout the year as the needs of the city require. Several supplementary appropriations were necessary during the year; however, the effect on total budgeted appropriations was not material. The budget amounts shown in the financial statements represent both the initially adopted budget, and the budget as amended at June 30, 2006, which includes all supplemental appropriations enacted during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**E. ASSETS, LIABILITIES AND FUND EQUITY:**

**Deposits and Investments:**

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

State law (G.S. 159-31) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest. The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual current balance for interest-bearing deposits.

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

**Cash and Cash Equivalents:**

Cash is defined as currency on hand, deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts, in that the governmental enterprise may deposit additional cash at any time and also effectively withdraw at any time without prior notice or penalty.

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

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

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

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

**Ad Valorem Taxes Receivable:**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Allowances for Doubtful Accounts:**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Inventories:**

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

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

**Capital Assets:**

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

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

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

**Long-Term Obligations:**

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

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

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

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Upon retirement, employees can convert unused sick leave into additional service time, for benefits under the State's pension plan.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Net Assets / Fund Balances:**

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b) (16)] restricts appropriation of the subsequent year's fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved:**

**Reserved for encumbrances** - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

**Reserved by State Statute** - portion of fund balance not available for appropriation after remaining reserves, such as reserved for inventories, are taken into consideration. This usually comprises receivables and due from other funds.

**Reserved for streets - Powell Bill** - portion of fund balance not available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

**Unreserved:**

**Designated for subsequent year's expenditures** - portion of total fund balance available for appropriation which has been designated for the adopted 2006-2007 budget ordinance.

**Undesignated** - portion of total fund balance available for appropriation which is uncommitted at year-end.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**II. DETAIL NOTES ON ALL FUNDS**

**A. ASSETS:**

**Deposits:**

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

The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual balance for interest-bearing deposits. Depositories using the Pooling Option report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows; however, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

All deposits of the City and the City of Hendersonville Board of Alcoholic Control are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. At June 30, 2006, the City's deposits had a carrying amount of \$4,886,203 and a bank balance of \$3,877,369. At June 30, 2006 the City's petty cash fund totaled \$2,575.

Of the bank balance at June 30, 2006, \$400,000 was covered by federal depository insurance, \$0.00 was covered by collateral held by the pledging bank's agent in the City's name under the Dedicated Option method of collateralization; and \$3,477,369 was covered by collateral held by an authorized escrow agency in the State Treasurer's name under the Pooling Option collateralization method. All bank balances of deposits maintained by financial institutions utilizing the Pooling Option at June 30, 2006, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2006, the ABC Board's deposits had a carrying amount of \$619,262 and a bank balance of \$588,582. Federal Depository Insurance covered \$100,000 of the bank balance. The remainder is collateralized under the Pooling Method.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**Investments:**

As of June 30, 2006, the City had the following investments and maturities:

	Fair Value	Less than 6 months	6-12 months	1-3 years
US Government Agencies	\$ 8,546,946	\$ 2,230,580	\$2,047,248	\$4,269,118
NC Capital Management Trust -Cash Portfolio	19,184,069	19,184,069		
NC Capital Management Trust -Term Portfolio (Agency Fund)	<u>513,910</u>	<u>                    </u>	<u>513,910</u>	<u>                    </u>
Totals	<u>\$28,244,925</u>	<u>\$21,414,649</u>	<u>\$2,561,158</u>	<u>\$4,269,118</u>

**Interest Rate Risk:** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** The City does not have a formal policy regarding credit risk. The investment in the U.S. Government Agency securities are rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term portfolio is authorized to invest in obligations of the U.S. Government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

**Concentration of Credit Risk:** The City places no limit on the amount that the City may invest in any one issuer. The U.S. Government Agency obligations are distributed among Federal home Loan Bank (25%) FHLMC (45%) and FNMA (30%).

**Depository Policy:** The City has no formal policy regarding the collateralization of deposits, however all balances maintained with financial institutions were either entirely insured or collateralized utilizing the Pooling Option, with securities held by the state or its agent in the state's name.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Receivables--Allowances for Doubtful Accounts:**

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

General Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 106,752
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 7,278
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 356
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 66,319
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	\$ 17,245

**Deferred / Unearned Revenues:**

The balance in deferred / unearned revenues at year-end is composed of the following elements:

	<u>Deferred Revenue</u>
Taxes receivable (General Fund)	\$ 110,375
Taxes receivable (Special Revenue Funds)	<u>2,033</u>
Totals	<u>\$ 112,408</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2006 was as follows:

**Governmental activities:**

Capital Assets Not being Depreciated:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2006</u>
Land	\$ 950,061			\$ 950,061
Capital assets being depreciated:				
Buildings	\$ 7,567,262	\$ 318,598		\$ 7,885,860
Other improvements	2,119,548	258,717		2,378,265
Equipment	1,011,174	80,122	\$ 15,920	1,075,376
Vehicles	3,020,478	140,374	189,702	2,971,150
Infrastructure	<u>8,239,950</u>	<u>466,199</u>	<u>          </u>	<u>8,706,149</u>
Totals	<u>\$ 21,958,412</u>	<u>\$ 1,264,010</u>	<u>\$ 205,622</u>	<u>\$ 23,016,800</u>
Less accumulated depreciation for:				
Capital Assets being depreciated:				
Buildings	\$ 929,618	\$ 282,811		\$ 1,212,429
Other Improvements	1,624,093	59,145		1,683,238
Equipment	722,128	74,264	\$ 15,920	780,472
Vehicles	1,386,487	232,060	164,530	1,454,016
Infrastructure	<u>2,463,079</u>	<u>262,776</u>	<u>          </u>	<u>2,725,855</u>
Totals	<u>\$ 7,125,405</u>	<u>\$ 911,056</u>	<u>\$ 180,450</u>	<u>\$ 7,856,012</u>
Assets being depreciated, net	<u>\$ 14,833,007</u>			<u>\$ 15,160,788</u>
Governmental-type capital assets, net	<u>\$ 15,783,068</u>			<u>\$ 16,110,849</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 126,555
Public Safety	339,941
Transportation	365,709
Parks	<u>78,851</u>
Total depreciation expense	<u>\$ 911,056</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**Business-type activities:**

	<u>Balance</u> <u>June 30, 2005</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Solid Waste Fund:</b>				
Capital assets being depreciated:				
Vehicles	\$ 517,871	\$ 156,501	\$ 22,074	\$ 652,298
Less accumulated depreciation for:				
Vehicles	\$ 339,636	\$ 37,743	\$ 11,772	\$ 365,607
Solid Waste Fund Capital assets, net	<u>\$ 178,235</u>			<u>\$ 286,691</u>
<b>Water &amp; Sewer Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 680,603	\$ 227,295		\$ 907,898
Construction in progress	<u>1,790,198</u>	<u>847,616</u>	\$ 1,016,346	<u>1,621,468</u>
Total Capital assets being depreciated:	<u>\$ 2,470,801</u>	<u>\$ 1,074,911</u>	<u>\$ 1,016,346</u>	<u>\$ 2,529,366</u>
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	22,839,660			22,839,660
Lines and related equipment	26,131,523	\$ 1,415,313		27,546,836
Equipment	761,468	25,583	\$ 14,993	787,051
Office furniture & equipment	135,088			135,088
Vehicles	1,167,138			1,152,145
Tanks and reservoirs	<u>4,504,834</u>			<u>4,504,834</u>
Totals	<u>\$ 57,192,450</u>	<u>\$ 1,440,896</u>	<u>\$ 14,493</u>	<u>\$ 58,618,353</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 205,012	\$ 55,090		\$ 260,102
Treatment facilities	4,153,506	747,321		4,900,827
Lines and related equipment	7,745,012	556,429		8,301,441
Equipment	505,796	44,611		550,407
Office furniture & equipment	128,860	4,323		133,183
Vehicles	617,780	88,792	\$ 14,993	691,581
Tanks and reservoirs	<u>1,019,285</u>	<u>134,620</u>		<u>1,153,905</u>
Total	<u>\$ 14,375,251</u>	<u>\$ 1,631,186</u>	<u>\$ 14,493</u>	<u>\$ 15,991,446</u>
Assets being depreciated, net	<u>\$ 42,817,199</u>			<u>\$ 42,626,907</u>
Water & Sewer Fund	<u>\$ 45,288,000</u>			<u>\$ 45,156,273</u>
Business-type capital assets, net	<u>\$ 45,466,235</u>			<u>\$ 45,442,964</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

Capital asset activity for the ABC Board for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 263,794			\$ 263,794
Capital assets being depreciated:				
Buildings	\$ 598,578			\$ 598,578
Real estate improvements	95,118	\$ 94,283	\$ 3,250	186,691
Furniture and equipment	118,910	28,115	27,279	119,746
Vehicles	26,646			26,646
Computer equipment and software	<u>42,643</u>	<u>          </u>	<u>13,861</u>	<u>28,782</u>
Total	<u>\$ 881,895</u>	<u>\$ 122,938</u>	<u>\$ 44,390</u>	<u>\$ 960,443</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 214,724	\$ 15,265		\$229,989
Real estate improvements	31,683	4,864	\$3,250	33,297
Furniture and equipment	68,879	12,025	8,248	72,656
Vehicles	9,326	5,329		14,655
Computer equipment and software	<u>38,713</u>	<u>          </u>	<u>32,893</u>	<u>5,820</u>
Total	<u>\$ 363,325</u>	<u>\$ 37,483</u>	<u>\$ 44,391</u>	<u>\$ 356,417</u>
Assets being depreciated, net	<u>\$ 518,570</u>			<u>\$ 604,026</u>
ABC Board capital assets, net	<u>\$ 782,364</u>			<u>\$ 867,820</u>

**B. LIABILITIES:**

**Local Governmental Employees' Retirement System**

**Plan Description:**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Funding Policy:**

Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.78% respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.8% of annual covered payroll. The contribution requirements of members and of the City of Hendersonville and the ABC Board are established and may be amended by the North Carolina General Assembly. The contributions made by the City and the ABC Board equaled the required contributions for each year, which were:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
City	\$344,080	\$326,263	\$315,357
ABC Board	\$ 37,920	\$ 36,920	\$ 35,745

**Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description:**

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

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

**Funding Policy:**

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other City employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2006 were \$183,004, which consisted of \$69,776 from the City and \$113,228 from the employees.

**Law Enforcement Officers Special Separation Allowance**

**Plan Description:**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

All full-time City law enforcement officers are covered by the system. At December 31, 2005 the system's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>37</u>
Total	<u>38</u>

**Summary of Significant Accounting Policies:**

**Basis of Accounting:**

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

**Method Used to Value Investments:**

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

**Contributions:**

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

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

**Annual Pension Cost and Net Pension Obligation:**

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

Annual required contribution	\$ 55,000
Interest on net pension obligation	13,433
Adjustment to annual required contribution	<u>( 10,641)</u>
Annual pension cost	\$ 57,792
Contributions made	<u>( 12,796)</u>
Increase in net pension obligation	\$ 44,996
Net pension obligation beginning of year	<u>185,277</u>
Net pension obligation end of year	<u>\$ 230,273</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$40,500	13.21 %	\$ 150,104
6/30/2005	\$47,969	26.68 %	\$ 185,277
6/30/2006	\$57,792	22.14 %	\$ 230,273

**Firemen's and Rescue Squad Workers Pension Plan**

**Plan Description:**

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

**Funding Policy:**

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. During the current year, the City recognized revenue and expenditure of \$35,075.

**Other Post-Employment Benefits**

On June 1, 1988, the City of Hendersonville Board of Commissioners unanimously approved an ordinance to provide post-retirement health benefits to those retirees who participate in the North Carolina Local Governmental Employees' Retirement System and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for these benefits until the retiree reaches the age of 62. The City's contributions are financed on a pay-as-you-go basis. Also, retirees can purchase coverage for their dependents at the City's group rates. Retirees may not convert the benefit into an in-lieu-of payment to secure coverage under independent plans.

As of year end, ten (10) retirees were eligible for post-retirement health benefits. For the fiscal year ended June 30, 2006, the City made payments for post-retirement health benefit premiums of \$74,640. The City participates in a fully-funded health insurance program administered by United Health Care of North Carolina.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

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

As of year end, there are thirty-nine (39) employees eligible for the life insurance benefit with the total liability equal to \$195,000. The City paid out \$5,000 in fiscal year 2005-2006.

**Lease Obligations:**

The City is a party to one operating lease, for a copy machine. The contract provides for 60 monthly payments of \$269 beginning October, 2003 and ending September, 2008.

**Long-Term Debt:**

**General Obligation Indebtedness**

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

Bonds payable at June 30, 2006 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:		
1998 Sidewalk Construction Bonds:		\$1,080,000
Interest due each May 1 and November 1 at rates from 4.75% to 5.0%		
\$90,000 principal due each May 1		
Serviced by the Water and Sewer Fund:		
1998 Water and Sewer Refunding Bonds:	\$1,355,000	
Interest due each May 1 and November 1 at rates from 4.0% to 4.5%		
Varying amounts of principal due each May 1		
Less defeasance loss (net of amortization)	<u>( 57,197)</u>	<u>1,297,803</u>
Total General Obligation Bonds		<u>\$2,377,803</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

Notes Payable

The City is liable on notes payable for money borrowed to renovate City Hall, to purchase a garbage truck, and for water and sewer line extensions which were financed with the proceeds of borrowings from the State of North Carolina and from a commercial bank. The debt service payments for the City Hall renovation are provided by the General Fund; the water and sewer line extensions are paid by the Water and Sewer Fund, and the garbage truck is paid by the Solid Waste Fund.

Bank of America City Hall Renovation loan	\$ 2,916,667
Principal payment of \$116,667 and interest at 4.1 % due each April 14 and October 14	
BB & T Highway 25 North Water and Sewer Line Replacement	385,873
Fixed payment of \$132,632 due each January 28 and July 28 including principal and interest at 3.1 %	
BB & T N.C. Justice Academy Waterline Extension	133,601
Fixed payment of \$68,357 due each May 9 and November 9 including principal and interest at 3.1 %	
First Citizens Bank sanitation truck loan	64,152
Fixed payment of \$11,308 due each June 30 and December 30 including principal and interest at 3.25 %	
State of North Carolina Revolving Loan Fund Clean Water Bonds	1,109,680
Interest due each May 1 and November 1 at 3.43 % Principal of \$100,880 due each May 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds	10,600,000
Wastewater Treatment Plant Expansion Interest due each May 1 and November 1 at 2.91 % Principal of \$662,500 due each May 1	
 Total Notes Payable	 <u>\$ 15,209,973</u>

**Capital Leases**

The City is not a party to any capital leases.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

Advance Refunding

On April 14, 1998, the City issued \$3,375,000 in general obligation Water and Sewer Refunding Bonds with an interest rate of 4.0% to 4.5% to advance refund \$3,145,000 of outstanding 1990 Water and Sewer bonds with interest rates of 6.8%. The net proceeds were used to purchase U.S. Government Securities. Those securities were deposited with an escrow agent to provide for all future debt service on the callable 1990 Water and Sewer bonds. At June 30, 2006, all of the 1990 bonds had been redeemed.

The advance refunding resulted in \$43,816 of net cash and a remaining difference between the reacquisition price and the net carrying amount of the old debt of \$186,184. This amount, net of the cumulative amortization of \$128,987 is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2010, the remaining life of the old debt, which is shorter than the life of the new debt, using the straight-line method. The bond issuance costs associated with the advance refunding were expensed during the current period, because they were not considered to be material. The City completed the advance refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$261,964.

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

Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 323,333	\$ 170,292	\$ 1,457,944	\$ 421,963
2008	323,334	156,405	1,195,364	374,918
2009	323,333	142,518	1,055,457	337,134
2010	323,333	128,542	1,028,380	301,706
2011	323,334	114,565	1,018,380	267,042
2012-2016	1,616,666	363,085	3,816,900	936,748
2017-2021	763,334	49,374	3,413,380	389,035
2022-2023			<u>662,500</u>	<u>19,279</u>
Totals	<u>\$ 3,996,667</u>	<u>\$ 1,124,781</u>	<u>\$ 13,648,305</u>	<u>\$ 3,047,825</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

Changes in long-term liabilities:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>June 30, 2006</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,170,000		\$ 90,000	\$ 1,080,000	\$ 90,000
Notes payable	3,301,962		385,295	2,916,667	233,334
Compensated absences	391,019	\$ 320,819	277,116	434,722	277,116
Net pension obligation	<u>185,276</u>	<u>57,793</u>	<u>12,796</u>	<u>230,273</u>	<u>12,796</u>
Governmental activity long-term liabilities	<u>\$ 5,048,257</u>	<u>\$ 378,612</u>	<u>\$ 765,207</u>	<u>\$ 4,661,662</u>	<u>\$ 613,246</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,645,000		\$ 290,000	\$ 1,355,000	\$ 290,000
Less deferred amount for loss on defeasance	<u>(71,519)</u>		<u>(14,322)</u>	<u>(57,197)</u>	<u>(14,322)</u>
Total bonds, net	\$ 1,573,481		\$ 275,678	\$ 1,297,803	\$ 275,678
Notes payable	13,453,812		1,160,506	12,293,306	1,160,507
Compensated absences	<u>138,447</u>	<u>\$ 145,366</u>	<u>147,917</u>	<u>135,896</u>	<u>135,896</u>
Business-type activities long-term liabilities	<u>\$ 15,165,740</u>	<u>\$ 145,366</u>	<u>\$ 1,584,101</u>	<u>\$ 13,727,005</u>	<u>\$ 1,572,081</u>

ABC Board Debt:

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

Legal Debt Margin:

The legal debt margin of the City at June 30, 2006, was \$81,395,164. This represents the maximum amount of long-term debt allowed by law. This is computed as 8% of the total tax base minus certain debt items.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund/inter-entity balances as of June 30, 2006, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Funds:	
	Governor's Highway Safety Program Grant Fund	\$ 23,581
	Safer Parks Grant Fund	7,864
Total		<u>\$ 31,445</u>

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Component Unit Hendersonville ABC Board	<u>\$ 27,500</u>

Interfund transfers of the City of Hendersonville for the year ended June 30, 2006 consist of the following:

General Fund to Seventh Avenue Tax District Fund \$5,300  
 This transfer was a contribution from the General Fund, to help with the local matching contribution needed to qualify for a federal grant, which was used to renovate an historic train depot in the Seventh Avenue area.

General Fund to Water and Sewer Fund \$100,880  
 This transfer was to reimburse the Water and Sewer Fund for the principal payments on money borrowed from the State of North Carolina Revolving Loan Fund Clean Water Bonds, to extend sewer lines into areas annexed into the City.

General Fund to Solid Waste Fund \$613,380  
 This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

City Hall Renovation Fund to General Fund \$243,651  
 This was to transfer back to the General Fund monies remaining after the completion of the City Hall renovation. The sources of this residual money, primarily, were insurance proceeds from a recovery for roof damage, and the proceeds of granting a fifty year historic preservation easement to the National Park Service.

Capital Reserve Fund to General Fund \$542,630  
 This transfer was to assist the General Fund in paying for certain City-wide capital improvements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

---

**III. COMMITMENTS AND CONTINGENCIES:**

**A. FEDERAL AND STATE ASSISTED PROGRAMS:**

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

**B. RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this company the City has general liability and auto liability coverage of \$1 million per occurrence; property coverage up to \$48 million blanket coverage; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$3 million, respectively. The City also carries worker's compensation coverage of up to statutory limits. The City carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

The City has a fully funded medical insurance plan to pay medical claims of the City's employees and their dependents. The plan was negotiated for twelve (12) months beginning August 1, 2005, and ending August 1, 2006. It contains a stop loss provision with coverage and claims administration provided by United Health Care. The plan is funded by employer contributions and charges to the various funds of the City based on actual claims expense, and by employee contributions for dependent coverage.

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

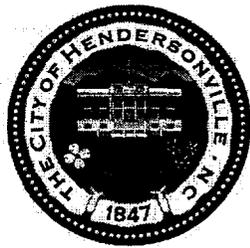
**C. RELATED ORGANIZATION:**

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

**D. LAWSUITS:**

The City is involved in one lawsuit. It is not anticipated to result in any significant payments by the City.

**REQUIRED SUPPLEMENTAL  
INFORMATION**



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

Exhibit A-1

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets ( a )	Actuarial Accrued		Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a % of Covered Payroll ( ( b - a ) / c )
		Liability (AAL) Projected Unit Credit ( b )	Unfunded AAL (UAAL) ( b - a )			
1996	0	\$154,150	\$154,150	0	\$842,497	18.30%
1997	0	\$175,118	\$175,118	0	\$876,334	19.98%
1998	0	\$174,574	\$174,574	0	\$982,543	17.77%
1999	0	\$174,873	\$174,873	0	\$918,898	19.03%
2000	0	\$250,905	\$250,905	0	\$1,027,647	24.42%
2001	0	\$285,018	\$285,018	0	\$1,156,941	24.64%
2002	0	\$305,698	\$305,698	0	\$1,187,571	25.75%
2003	0	\$357,165	\$357,165	0	\$1,321,573	27.03%
2004	0	\$486,524	\$486,524	0	\$1,353,075	35.96%
2005	0	\$471,245	\$471,245	0	\$1,475,522	31.94%

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

Exhibit A-2

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1996	\$19,284	40.51%
1997	\$19,284	75.72%
1998	\$22,258	87.60%
1999	\$24,461	83.66%
2000	\$25,624	84.39%
2001	\$25,650	57.65%
2002	\$30,988	47.72%
2003	\$35,713	27.74%
2004	\$38,473	11.14%
2005	\$45,507	28.12%
2006	\$55,000	23.27%

Notes to the Required Schedules:

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

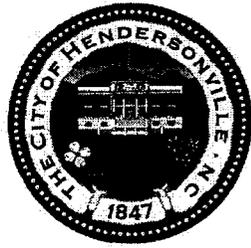
Valuation date	December 31, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	7.25%
Projected salary increases	5.9 - 9.8 %
Includes inflation at	3.75 %

# **GENERAL FUND**

---

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

---



CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 1 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006				2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>Revenues:</b>					
<b>Ad valorem taxes:</b>					
Taxes	\$ 4,961,000	\$ 4,961,000	\$ 5,312,024	\$ 351,024	\$ 5,112,725
Penalties and interest	25,000	25,000	34,831	9,831	68,521
Refunds	(5,000)	(5,000)	(37,052)	(32,052)	(24,305)
<b>Total</b>	<b>\$ 4,981,000</b>	<b>\$ 4,981,000</b>	<b>\$ 5,309,803</b>	<b>\$ 328,803</b>	<b>\$ 5,156,941</b>
<b>Other taxes and licenses:</b>					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,450	\$ 450	\$ 2,420
Local option sales taxes	2,500,000	2,500,000	2,551,264	51,264	2,407,414
Local vehicle rental tax	8,000	8,000	6,867	(1,133)	7,810
Privilege licenses	60,000	60,000	70,390	10,390	65,921
<b>Total</b>	<b>\$ 2,570,000</b>	<b>\$ 2,570,000</b>	<b>\$ 2,630,971</b>	<b>\$ 60,971</b>	<b>\$ 2,483,565</b>
<b>Unrestricted intergovernmental:</b>					
Payments in lieu of taxes	\$ 17,000	\$ 17,000	\$ 17,846	\$ 846	\$ 17,846
Utility franchise tax	625,000	625,000	731,515	106,515	699,608
Beer and wine tax	42,000	42,000	53,471	11,471	51,708
ABC profit distribution	70,000	70,000	107,500	37,500	102,500
Court fees	2,500	2,500	2,087	(413)	3,263
<b>Total</b>	<b>\$ 756,500</b>	<b>\$ 756,500</b>	<b>\$ 912,419</b>	<b>\$ 155,919</b>	<b>\$ 874,925</b>
<b>Restricted intergovernmental:</b>					
Powell Bill allocation	\$ 360,000	\$ 360,000	\$ 384,255	\$ 24,255	\$ 375,107
FEMA settlement					129,005
D O T bridge repair reimbursement		593,313	583,340	(9,973)	871,746
Drug forfeitures			5,172	5,172	23,518
ABC law enforcement services	20,000	20,000	30,000	10,000	20,000
<b>On-behalf-of payments:</b>					
Firemen's Relief			35,075	35,075	30,200
School Resource Officer	47,210	47,210	54,186	6,976	42,810
<b>Total</b>	<b>\$ 427,210</b>	<b>\$ 1,020,523</b>	<b>\$ 1,092,028</b>	<b>\$ 71,505</b>	<b>\$ 1,492,386</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 2 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2005 Actual
	Original	Final			
Permits and fees:					
Building permits and inspection fees	\$ 17,450	\$ 17,450	\$ 31,480	\$ 14,030	\$ 33,920
Cable TV franchise	30,000	30,000	138,082	108,082	33,947
Total	\$ 47,450	\$ 47,450	\$ 169,562	\$ 122,112	\$ 67,867
Sales and services:					
Recreation department fees	\$ 23,800	\$ 23,800	\$ 22,808	\$ (992)	\$ 27,152
Patton Pool revenues	84,500	84,500	61,370	(23,130)	22,666
Parking revenues	40,000	40,000	59,204	19,204	43,707
Alarm fees	4,000	4,000	5,900	1,900	5,350
Cemetery lots	10,000	10,000	21,030	11,030	18,850
Total	\$ 162,300	\$ 162,300	\$ 170,312	\$ 8,012	\$ 117,725
Investment earnings	\$ 71,000	\$ 71,000	\$ 501,524	\$ 430,524	\$ 176,604
Miscellaneous:					
Insurance proceeds			\$ 1,906	\$ 1,906	
Parking violations	\$ 19,000	\$ 19,000	38,151	19,151	\$ 36,962
Sales of property	550	550	25,595	25,045	217,366
Other	2,750	2,750	40,028	37,278	18,801
Total	\$ 22,300	\$ 22,300	\$ 105,680	\$ 83,380	\$ 273,129
Total revenues	\$ 9,037,760	\$ 9,631,073	\$ 10,892,299	\$ 1,261,226	\$ 10,643,142

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 3 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Expenditures:</b>						
<b>General government:</b>						
<b>Governing body:</b>						
Salaries and employee benefits	\$ 63,000	\$ 72,700	\$ 67,021	\$ 5,679	\$ 56,753	\$ 56,753
Operating expenses	32,300	27,100	24,800	2,300	25,628	25,628
Dues and appropriations	112,080	117,080	61,318	55,762	74,575	74,575
Reimbursement-enterprise fund	(31,500)	(36,000)	(33,416)	(2,584)	(27,960)	(27,960)
<b>Total</b>	<b>\$ 175,880</b>	<b>\$ 180,880</b>	<b>\$ 119,723</b>	<b>\$ 61,157</b>	<b>\$ 128,996</b>	<b>\$ 128,996</b>
<b>Administration:</b>						
Salaries and employee benefits	\$ 297,950	\$ 297,950	\$ 273,058	\$ 24,892	\$ 291,979	\$ 291,979
Operating expenses	42,600	47,094	37,469	9,625	108,276	108,276
Capital outlay					671,196	671,196
Reimbursement-enterprise fund	(138,600)	(141,100)	(123,284)	(17,816)	(139,818)	(139,818)
<b>Total</b>	<b>\$ 201,950</b>	<b>\$ 203,944</b>	<b>\$ 187,243</b>	<b>\$ 16,701</b>	<b>\$ 931,633</b>	<b>\$ 931,633</b>
<b>Finance:</b>						
Salaries and employee benefits	\$ 675,200	\$ 670,500	\$ 637,922	\$ 32,578	\$ 624,642	\$ 624,642
Operating expenses	82,100	90,400	63,991	26,409	80,004	80,004
Reimbursement-enterprise fund	(426,100)	(426,100)	(486,222)	60,122	(461,304)	(461,304)
<b>Total</b>	<b>\$ 331,200</b>	<b>\$ 334,800</b>	<b>\$ 215,691</b>	<b>\$ 119,109</b>	<b>\$ 243,342</b>	<b>\$ 243,342</b>
<b>City engineer:</b>						
Salaries and employee benefits	\$ 270,180	\$ 266,220	\$ 264,992	\$ 1,228	\$ 225,370	\$ 225,370
Operating expenses	22,530	26,490	22,997	3,493	17,122	17,122
Reimbursement-enterprise fund	(135,090)	(135,090)	(145,202)	10,112	(120,579)	(120,579)
<b>Total</b>	<b>\$ 157,620</b>	<b>\$ 157,620</b>	<b>\$ 142,787</b>	<b>\$ 14,833</b>	<b>\$ 121,913</b>	<b>\$ 121,913</b>
<b>Information technology:</b>						
Salaries and employee benefits	\$ 84,390	\$ 84,390	\$ 80,326	\$ 4,064	\$ 78,063	\$ 78,063
Operating expenses	143,170	142,882	166,294	(23,412)	151,569	151,569
Capital outlay	7,000	12,530	7,000	5,530	6,695	6,695
Reimbursement-enterprise fund	(62,910)	(62,910)	(44,728)	(18,182)	(43,793)	(43,793)
<b>Total</b>	<b>\$ 171,650</b>	<b>\$ 176,892</b>	<b>\$ 208,892</b>	<b>\$ (32,000)</b>	<b>\$ 192,534</b>	<b>\$ 192,534</b>
<b>Legal department</b>						
Salaries and employee benefits		\$ 118,740	\$ 117,057	\$ 1,683		
Operating expenses	\$ 92,800	15,880	7,005	8,875		
Reimbursement-enterprise fund	(41,700)	(59,370)	(67,526)	8,156		
<b>Total</b>	<b>\$ 51,100</b>	<b>\$ 75,250</b>	<b>\$ 56,536</b>	<b>\$ 18,714</b>	<b>\$ 0</b>	<b>\$ 0</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 4 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Fleet maintenance:</b>						
Salaries and employee benefits	\$ 258,620	\$ 262,150	\$ 230,720	\$ 31,430		\$ 218,551
Operating expenses	95,100	97,690	97,776	(86)		91,826
Capital outlay		88,792	88,792			6,995
Reimbursement-other departments	(56,000)	(62,090)	(77,055)	14,965		(59,950)
Reimbursement-enterprise fund	(38,000)	(38,000)	(35,471)	(2,529)		(30,027)
<b>Total</b>	<b>\$ 259,720</b>	<b>\$ 348,542</b>	<b>\$ 304,762</b>	<b>\$ 43,780</b>		<b>\$ 227,395</b>
<b>Public buildings:</b>						
Salaries and employee benefits	\$ 142,870	\$ 144,670	\$ 133,838	\$ 10,832		\$ 131,334
Operating expenses	184,600	182,800	174,479	8,321		177,245
<b>Total</b>	<b>\$ 327,470</b>	<b>\$ 327,470</b>	<b>\$ 308,317</b>	<b>\$ 19,153</b>		<b>\$ 308,579</b>
<b>Total general government</b>	<b>\$ 1,676,590</b>	<b>\$ 1,805,398</b>	<b>\$ 1,543,951</b>	<b>\$ 261,447</b>		<b>\$ 2,154,392</b>
<b>Public safety:</b>						
<b>Police:</b>						
Salaries and employee benefits	\$ 2,527,040	\$ 2,524,040	\$ 2,332,290	\$ 191,750		\$ 2,368,002
Operating expenses	415,240	428,340	405,624	22,716		394,225
Capital outlay	122,000	122,000	112,584	9,416		126,948
<b>Total</b>	<b>\$ 3,064,280</b>	<b>\$ 3,074,380</b>	<b>\$ 2,850,498</b>	<b>\$ 223,882</b>		<b>\$ 2,889,175</b>
<b>Fire:</b>						
Salaries and employee benefits	\$ 1,065,000	\$ 1,065,000	\$ 1,005,294	\$ 59,706		\$ 1,006,257
Operating expenses	131,150	132,280	88,217	44,063		94,791
On-behalf payments:						
Firemen's Relief fund			35,075	(35,075)		30,200
Contract coverage-Vol. departments	185,000	185,000	193,230	(8,230)		176,876
<b>Total</b>	<b>\$ 1,381,150</b>	<b>\$ 1,382,280</b>	<b>\$ 1,321,816</b>	<b>\$ 60,464</b>		<b>\$ 1,308,124</b>
<b>Zoning:</b>						
Salaries and employee benefits	\$ 103,380	\$ 103,380	\$ 94,474	\$ 8,906		\$ 94,671
Operating expenses	31,100	31,100	27,716	3,384		14,795
<b>Total</b>	<b>\$ 134,480</b>	<b>\$ 134,480</b>	<b>\$ 122,190</b>	<b>\$ 12,290</b>		<b>\$ 109,466</b>
<b>Planning:</b>						
Salaries and employee benefits	\$ 171,870	\$ 171,870	\$ 143,972	\$ 27,898		\$ 142,057
Operating expenses	179,150	202,650	91,599	111,051		107,993
<b>Total</b>	<b>\$ 351,020</b>	<b>\$ 374,520</b>	<b>\$ 235,571</b>	<b>\$ 138,949</b>		<b>\$ 250,050</b>
<b>Total public safety</b>	<b>\$ 4,930,930</b>	<b>\$ 4,965,660</b>	<b>\$ 4,530,075</b>	<b>\$ 435,585</b>		<b>\$ 4,556,815</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 5 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Transportation:						
Administration:						
Salaries and employee benefits	\$ 195,740	\$ 197,740	\$ 192,135	\$ 5,605	\$ 164,206	\$ 164,206
Operating expenses	60,050	67,882	72,867	(4,985)	61,236	61,236
Capital outlay	168,000	179,793	127,102	52,691	82,137	82,137
Total	\$ 423,790	\$ 445,415	\$ 392,104	\$ 53,311	\$ 307,579	\$ 307,579
Streets and highways:						
Salaries and employee benefits	\$ 291,770	\$ 294,970	\$ 276,878	\$ 18,092	\$ 267,400	\$ 267,400
Operating expenses	152,100	173,900	153,974	19,926	159,376	159,376
Capital outlay	70,000	64,800	59,990	4,810		
Reimbursement-enterprise fund	(50,000)	(69,800)	(79,929)	10,129	(54,965)	(54,965)
Total	\$ 463,870	\$ 463,870	\$ 410,913	\$ 52,957	\$ 371,811	\$ 371,811
State Street Aid allocation:						
Operating expenses	\$ 432,000	\$ 837,576	\$ 677,206	\$ 160,370	\$ 186,701	\$ 186,701
Capital outlay		452,724	449,724	3,000	1,212,180	1,212,180
Total	\$ 432,000	\$ 1,290,300	\$ 1,126,930	\$ 163,370	\$ 1,398,881	\$ 1,398,881
Traffic engineering:						
Salaries and employee benefits	\$ 104,060	\$ 113,380	\$ 109,352	\$ 4,028	\$ 108,759	\$ 108,759
Operating expenses	216,050	217,578	221,484	(3,906)	190,469	190,469
Capital outlay	10,000	9,000		9,000		
Total	\$ 330,110	\$ 339,958	\$ 330,836	\$ 9,122	\$ 299,228	\$ 299,228
Total transportation	\$ 1,649,770	\$ 2,539,543	\$ 2,260,783	\$ 278,760	\$ 2,377,499	\$ 2,377,499
Park maintenance, drainage and lot clearing:						
Salaries and employee benefits	\$ 370,570	\$ 393,510	\$ 370,988	\$ 22,522	\$ 397,701	\$ 397,701
Operating expenses	37,900	41,060	39,222	1,838	61,535	61,535
Capital outlay	215,000	201,803	157,315	44,488	31,259	31,259
Total park maintenance, drainage, and lot clearing	\$ 623,470	\$ 636,373	\$ 567,525	\$ 68,848	\$ 490,495	\$ 490,495
Cultural and recreational:						
Patton Park Pool:						
Salaries and employee benefits	\$ 108,080	\$ 96,080	\$ 42,983	\$ 53,097	\$ 25,075	\$ 25,075
Operating expenses	100,440	91,090	90,591	499	128,661	128,661
Capital outlay		21,350		21,350		
Total cultural and recreational	\$ 208,520	\$ 208,520	\$ 133,574	\$ 74,946	\$ 153,736	\$ 153,736

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 6 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Debt service:						
Principal	\$ 475,320	\$ 475,320	\$ 475,296	\$ 24		\$ 471,026
Interest and fees	212,340	212,340	218,542	(6,202)		234,207
Total debt service	\$ 687,660	\$ 687,660	\$ 693,838	\$ (6,178)		\$ 705,233
Total expenditures	\$ 9,776,940	\$ 10,843,154	\$ 9,729,746	\$ 1,113,408		\$ 10,438,170
Revenues over (under) expenditures	\$ (739,180)	\$ (1,212,081)	\$ 1,162,553	\$ 2,374,634		\$ 204,972
Transfers from (to) other funds:						
Enterprise funds:						
Solid Waste Fund	\$ (613,380)	\$ (613,380)	\$ (613,380)			\$ (576,710)
Water and Sewer Fund	(847,100)	(847,100)	(100,880)	\$ 746,220		(100,880)
Water and Sewer Fund						529,050
Seventh Avenue Tax District Fund		(5,300)	(5,300)			
Capital Project Fund-City Hall Renovator			243,651	243,651		(328,200)
Capital Reserve Fund	1,397,210	1,397,210	542,630	(854,580)		1,341,600
Capital Reserve Fund						(742,675)
Special Revenue Fund-Homeland Security						(72,000)
Special Revenue Fund-Homeland Security						
Contingencies budgeted	(150,000)	(150,000)		150,000		
Fund balance appropriated	952,450	1,430,651		(1,430,651)		
Total other financing sources (uses)	\$ 739,180	\$ 1,212,081	\$ 66,721	\$ (1,145,360)		\$ 50,185
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 1,229,274	\$ 1,229,274		\$ 255,157
Fund balances:						
Beginning of year, July 1			6,826,806			6,571,649
End of year, June 30			\$ 8,056,080			\$ 6,826,806

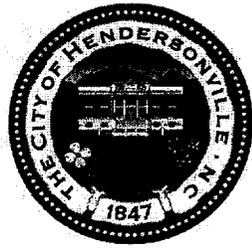
# **NON-MAJOR GOVERNMENTAL FUNDS**

## **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

## **Capital Projects Funds**

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



# **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  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	SPECIAL	REVENUE	FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Governor's Highway Safety Grant Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 97,304	\$ 2,781	
Taxes receivable (net)	1,082	951	
Sales tax refundable	656	263	\$ 623
Grants receivable			23,581
Total Assets	\$ 99,042	\$ 3,995	\$ 24,204
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Due to other funds			\$ 24,204
Deferred revenues	\$ 1,082	\$ 951	
Unearned revenues			
Total Liabilities	\$ 1,082	\$ 951	\$ 24,204
<b>Fund balances:</b>			
Reserved by State statute	\$ 656	263	
Unreserved:			
Designated for subsequent year's expenditures	45,300	\$ 2,200	
Undesignated	52,004	581	
Total Fund balances	\$ 97,960	\$ 3,044	\$ 0
Total Liabilities and Fund balances	\$ 99,042	\$ 3,995	\$ 24,204

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

Exhibit C-1

SPECIAL	REVENUE	FUNDS	CAPITAL PROJECT FUND	
Safer Parks Grant Fund	2003 LLEBG Grant Fund	Total	Sidewalk Construction Fund	Total Nonmajor Governmental Funds
		\$ 100,085	\$ 273,303	\$ 373,388
		2,033		2,033
	\$ 503	2,045	16	2,061
\$ 7,864		31,445		31,445
<u>\$ 7,864</u>	<u>\$ 503</u>	<u>\$ 135,608</u>	<u>\$ 273,319</u>	<u>\$ 408,927</u>
\$ 7,864	\$ 503	\$ 32,571		32,571
		2,033		2,033
		0		0
<u>\$ 7,864</u>	<u>\$ 503</u>	<u>\$ 34,604</u>	<u>\$ 0</u>	<u>\$ 34,604</u>
		\$ 919	\$ 16	\$ 935
		47,500		47,500
		52,585	273,303	325,888
\$ 0	\$ 0	\$ 101,004	\$ 273,319	\$ 374,323
<u>\$ 7,864</u>	<u>\$ 503</u>	<u>\$ 135,608</u>	<u>\$ 273,319</u>	<u>\$ 408,927</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL	REVENUE	FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Boys and Girls Club YES" Program Grant Fund
Revenues:			
Ad valorem taxes	\$ 177,479	\$ 9,080	
Restricted intergovernmental		75,000	\$ 60,000
Other revenues			
Investment earnings	3,559	699	
Total Revenues	<u>\$ 181,038</u>	<u>\$ 84,779</u>	<u>\$ 60,000</u>
Expenditures:			
General government			
Public safety			\$ 60,000
Transportation			
Environmental protection			
Recreation			
Economic and physical development	<u>\$ 173,313</u>	<u>\$ 117,801</u>	
Total Expenditures	<u>\$ 173,313</u>	<u>\$ 117,801</u>	<u>\$ 60,000</u>
Revenues over (under) expenditures	<u>\$ 7,725</u>	<u>\$ (33,022)</u>	<u>\$ 0</u>
Other financing sources (uses):			
Transfer from (to) General Fund		5,300	\$
Revenues and other financing sources over (under) expenditures and other uses:	<u>\$ 7,725</u>	<u>\$ (27,722)</u>	<u>\$ 0</u>
Fund balances:			
Beginning of year, July 1	<u>90,235</u>	<u>30,766</u>	
End of year, June 30	<u>\$ 97,960</u>	<u>\$ 3,044</u>	<u>\$ 0</u>

<u>SPECIAL</u>	<u>REVENUE</u>	<u>FUNDS</u>
<u>C D B G Village at King Creek Grant Fund</u>	<u>Communications Initiative Grant Fund</u>	<u>Governor's Highway Safety Grant Fund</u>
\$ 4,080	\$ 26,250	\$ 23,581
<u>\$ 4,080</u>	<u>\$ 26,250</u>	<u>\$ 23,581</u>
	\$ 26,250	\$ 23,581
<u>\$ 4,080</u>		
<u>\$ 4,080</u>	<u>\$ 26,250</u>	<u>\$ 23,581</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>SPECIAL</u>	<u>REVENUE</u>	<u>FUNDS</u>
<u>Safer Parks Grant Fund</u>	<u>Hazard Mitigation Plan Grant Fund</u>	<u>Homeland Security Assistance to Firefighters Grant Fund</u>
\$ 20,054	\$ 5,000	
<u>\$ 20,054</u>	<u>\$ 5,000</u>	<u>\$ 0</u>
\$ 20,054	\$	\$ 2,049
	\$ 5,000	
<u>\$ 20,054</u>	<u>\$ 5,000</u>	<u>\$ 2,049</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,049)</u>
\$ 0	\$ 0	\$ (2,049)
		2,049
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-2

SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUNDS		FUND BALANCE		Total Nonmajor Governmental Funds
2003 L L E B G Program Grant Fund	Total	Sidewalk Construction Fund	City Hall Renovation Fund	Total	Total
\$ 14,278	\$ 186,559 228,243		\$ 283,512 7,514	\$ 283,512 18,846	\$ 186,559 228,243 283,512 23,104
\$ 14,278	\$ 4,258	\$ 11,332		\$ 18,846	\$ 23,104
\$ 14,278	\$ 419,060	\$ 11,332	\$ 291,026	\$ 302,358	\$ 721,418
\$ 14,278	\$ 146,212		\$ 115,527	\$ 115,527	\$ 115,527
	5,000 0	\$ 16,475		16,475	146,212 16,475 5,000 0
	295,194				295,194
\$ 14,278	\$ 446,406	\$ 16,475	\$ 115,527	\$ 132,002	\$ 578,408
\$ 0	\$ (27,346)	\$ (5,143)	\$ 175,499	\$ 170,356	\$ 143,010
	\$ 5,300		\$ (243,651)	(243,651)	\$ (238,351)
\$ 0	\$ (22,046)	\$ (5,143)	\$ (68,152)	\$ (73,295)	\$ (95,341)
	123,050	278,462	68,152	346,614	469,664
\$ 0	\$ 101,004	\$ 273,319	\$ 0	\$ 273,319	\$ 374,323

CITY OF HENDERSONVILLE, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-3

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			
	Original and Final Budgeted Amounts	Actual	Variance Positive (Negative)	2005 Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 161,000	\$ 175,924	\$ 14,924	\$ 170,993
Penalties and interest	100	1,555	1,455	2,460
Refunds	(100)		100	
Total	\$ 161,000	\$ 177,479	\$ 16,479	\$ 173,453
Investment earnings	\$ 150	\$ 3,559	\$ 3,409	\$ 899
Total revenues	\$ 161,150	\$ 181,038	\$ 19,888	\$ 174,352
<b>Expenditures:</b>				
Economic and physical development:				
Operating expenses	\$ 181,000	\$ 173,313	\$ 7,687	\$ 151,885
Total expenditures	\$ 181,000	\$ 173,313	\$ 7,687	\$ 151,885
Revenues over (under) expenditures	\$ (19,850)	\$ 7,725	\$ 27,575	\$ 22,467
<b>Other financing sources:</b>				
Fund balance appropriated/	19,850		(19,850)	
Excess of revenues and other financing sources over expenditures	\$ 0	\$ 7,725	\$ 7,725	\$ 22,467
<b>Fund balance:</b>				
Beginning of year, July 1		90,235		67,768
End of year, June 30		\$ 97,960		\$ 90,235

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SEVENTH AVENUE TAX DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-4

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006		Variance Positive (Negative)	2005 Actual
	Original and Final Budgeted Amounts	Actual		
Revenues:				
Federal grant	\$ 75,000	\$ 75,000		
Ad valorem taxes:				
Taxes	6,750	8,834	\$ 2,084	\$ 8,473
Penalties and interest	50	246	196	408
Total	<u>\$ 81,800</u>	<u>\$ 84,080</u>	<u>\$ 2,280</u>	<u>\$ 8,881</u>
Investment earnings	<u>\$ 100</u>	<u>\$ 699</u>	<u>\$ 599</u>	<u>\$ 533</u>
Total revenues	<u>\$ 81,900</u>	<u>\$ 84,779</u>	<u>\$ 2,879</u>	<u>\$ 9,414</u>
Expenditures:				
Economic and physical development:				
Operating expenses	\$ 3,800	\$ 3,522	\$ 278	\$ 4,462
Capital outlay	110,000	114,279	(4,279)	
Total expenditures	<u>\$ 113,800</u>	<u>\$ 117,801</u>	<u>\$ (4,001)</u>	<u>\$ 4,462</u>
Revenues over/(under) expenditures	<u>\$ (31,900)</u>	<u>\$ (33,022)</u>	<u>\$ (1,122)</u>	<u>\$ 4,952</u>
Other financing sources (uses):				
Transfer from General Fund	5,300	5,300		
Appropriated fund balance	26,600		(26,600)	
Total other financing sources	<u>\$ 31,900</u>	<u>\$ 5,300</u>	<u>\$ (26,600)</u>	<u>\$ 0</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ 0</u>	<u>(27,722)</u>	<u>\$ (27,722)</u>	<u>\$ 4,952</u>
Fund balance:				
Beginning of year, July 1		<u>30,766</u>		<u>25,814</u>
End of year, June 30		<u>\$ 3,044</u>		<u>\$ 30,766</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
BOYS AND GIRLS CLUB "YES" PROGRAM GRANT FUND  
GRANT NO. 045-1-04-009-AJ-388  
SPECIAL REVENUE FUND - GRANT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-5

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 130,000	\$ 70,000	\$ 60,000	\$ 130,000	
Total revenues	\$ 130,000	\$ 70,000	\$ 60,000	\$ 130,000	\$ 0
Expenditures:					
Public safety:					
Operating expenses:					
Payment to sub-grantee	\$ 130,000	\$ 70,000	\$ 60,000	\$ 130,000	
Total expenditures	\$ 130,000	\$ 70,000	\$ 60,000	\$ 130,000	\$ 0
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 C D B G VILLAGE AT KING CREEK GRANT FUND  
 GRANT NO. 02C-0-980  
 SPECIAL REVENUE FUND - GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-6

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
Federal grant	\$ 250,000	\$ 245,920	\$ 4,080	\$ 250,000	\$ 0
Total revenues	\$ 250,000	\$ 245,920	\$ 4,080	\$ 250,000	\$ 0
<b>Expenditures:</b>					
Economic and physical development:					
Economic development					
Operating expenses:					
Payment to sub-grantee	\$ 250,000	\$ 245,920	\$ 4,080	\$ 250,000	\$ 0
Total expenditures	\$ 250,000	\$ 245,920	\$ 4,080	\$ 250,000	\$ 0
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
COMMUNICATIONS INITIATIVE GRANT FUND  
GRANT NO. 045-1-05-006-BH-806  
SPECIAL REVENUE FUND - GRANT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-7

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 22,500		\$ 19,688	\$ 19,688	\$ (2,812)
Local matching contribution	7,500		6,562	6,562	(938)
<b>Total revenues</b>	<b>\$ 30,000</b>	<b>\$ 0</b>	<b>\$ 26,250</b>	<b>\$ 26,250</b>	<b>\$ (3,750)</b>
Expenditures:					
Public safety:					
Communications Interoperability Initiative					
Operating expenses	\$ 30,000		\$ 26,250	\$ 26,250	\$ 3,750
<b>Total expenditures</b>	<b>\$ 30,000</b>	<b>\$ 0</b>	<b>\$ 26,250</b>	<b>\$ 26,250</b>	<b>\$ 3,750</b>
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GOVERNOR'S HIGHWAY SAFETY PROGRAM GRANT FUND  
GRANT NO. PT-06-04-04-27  
SPECIAL REVENUE FUND - GRANT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-8

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
State grant	\$ 35,250		\$ 17,686	\$ 17,686	\$ (17,564)
Local matching contribution	11,750		5,895	5,895	(5,855)
Total revenues	<u>\$ 47,000</u>	<u>\$ 0</u>	<u>\$ 23,581</u>	<u>\$ 23,581</u>	<u>\$ (23,419)</u>
<b>Expenditures:</b>					
Public safety:					
Governor's Highway Safety Program					
Operating expenses	\$ 14,850		\$ 14,438	\$ 14,438	\$ 412
Capital outlay	32,150		9,143	9,143	23,007
Total expenditures	<u>\$ 47,000</u>	<u>\$ 0</u>	<u>\$ 23,581</u>	<u>\$ 23,581</u>	<u>\$ 23,419</u>
Excess of revenues over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SAFER PARKS GRANT FUND  
 GRANT NO. 045-1-05-001-BH-769  
 SPECIAL REVENUE FUND - GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit C-9

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 22,455		\$ 15,041	\$ 15,041	\$ (7,414)
Local matching contribution	7,485		5,013	5,013	(2,472)
Total revenues	<u>\$ 29,940</u>	<u>\$ 0</u>	<u>\$ 20,054</u>	<u>\$ 20,054</u>	<u>\$ (9,886)</u>
Expenditures:					
Public safety:					
Operating expenses	\$ 29,940		\$ 20,054	\$ 20,054	9,886
Total expenditures	<u>\$ 29,940</u>	<u>\$ 0</u>	<u>\$ 20,054</u>	<u>\$ 20,054</u>	<u>\$ 9,886</u>
Excess of revenues over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 HAZARD MITIGATION PLAN GRANT FUND  
 GRANT NO. HMGP - 1448 - 0038  
 SPECIAL REVENUE FUND - GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-10

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 10,000	5,000	5,000	10,000	0
Total revenues	\$ 10,000	\$ 5,000	\$ 5,000	\$ 10,000	\$ 0
Expenditures:					
Environmental protection:					
Operating expenses	\$ 10,000	5,000	\$ 5,000	\$ 10,000	\$ 0
Total expenditures	\$ 10,000	\$ 5,000	\$ 5,000	\$ 10,000	\$ 0
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 HOMELAND SECURITY ASSISTANCE TO FIREFIGHTERS GRANT FUND  
 GRANT NO. EMW-2004-FG-02866  
 SPECIAL REVENUE FUND - GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-11

	Actual				
Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 558,000	\$ 558,000		\$ 558,000	
Total Revenues	\$ 558,000	\$ 558,000	0	\$ 558,000	\$ 0
Expenditures:					
Public safety-firetruck purchase					
Supplies			\$ 2,049	\$ 2,049	\$ (2,049)
Capital outlay	\$ 630,000	\$ 627,951		627,951	2,049
Total expenditures	\$ 630,000	\$ 627,951	\$ 2,049	\$ 630,000	\$ 0
Excess of revenues over expenditures	\$ (72,000)	\$ (69,951)	\$ (2,049)	\$ (72,000)	\$ 0
Other financing sources					
Transfer from General Fund	72,000	72,000		72,000	
Excess of revenues and other sources over expenditures	\$ 0	\$ 2,049	\$ (2,049)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			\$ 2,049		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 2003 LOCAL LAW ENFORCEMENT BLOCK GRANT FUND  
 GRANT NO. 2003-LB-BX-2756  
 SPECIAL REVENUE FUND - GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-12

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 13,408	\$	\$ 12,850	\$ 12,850	\$ (558)
Local matching contribution	1,490		1,428	1,428	(62)
Total revenues	<u>\$ 14,898</u>	<u>\$ 0</u>	<u>\$ 14,278</u>	<u>\$ 14,278</u>	<u>\$ (620)</u>
Expenditures:					
Public safety:					
Operating expenses	\$ 8,818	\$	\$ 8,199	\$ 8,199	\$ 619
Capital outlay	6,080		6,079	6,079	1
Total expenditures	<u>\$ 14,898</u>	<u>\$ 0</u>	<u>\$ 14,278</u>	<u>\$ 14,278</u>	<u>\$ 620</u>
Excess of revenues over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

Exhibit C-13

	2006				2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Investment earnings	\$ 15,000	\$ 5,000	\$ 95,413	\$ 90,413	\$ 71,157
Total revenues	\$ 15,000	\$ 5,000	\$ 95,413	\$ 90,413	\$ 71,157
Other financing sources (uses):					
Transfer from General Fund					\$ 742,675
Transfer (to) General Fund	\$ (1,397,210)	\$ (1,397,210)	\$ (542,630)	\$ 854,580	(1,341,600)
Transfer from Greenways Grant Fund					126,058
Appropriated fund balance	1,382,210	1,392,210		(1,392,210)	
Total other financing sources (uses)	\$ (15,000)	\$ (5,000)	\$ (542,630)	\$ (537,630)	\$ (472,867)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (447,217)	\$ (447,217)	\$ (401,710)
Fund balance:					
Beginning of year, July 1			3,364,194		3,765,904
End of year, June 30			\$ 2,916,977		\$ 3,364,194

# **CAPITAL PROJECTS FUND**

---

Capital project 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  
 CAPITAL PROJECTS FUND  
 SIDEWALK CONSTRUCTION PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit D-1

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
State grant	\$ 192,000	\$ 192,000		\$ 192,000	
Investment earnings	35,000	187,950	\$ 11,332	199,282	\$ 164,282
<b>Total revenues</b>	<b>\$ 227,000</b>	<b>\$ 379,950</b>	<b>\$ 11,332</b>	<b>\$ 391,282</b>	<b>\$ 164,282</b>
<b>Expenditures :</b>					
Transportation: Capital outlay- sidewalk construction	\$ 2,047,000	\$ 1,921,488	\$ 16,475	\$ 1,937,963	\$ 109,037
<b>Total expenditures</b>	<b>\$ 2,047,000</b>	<b>\$ 1,921,488</b>	<b>\$ 16,475</b>	<b>\$ 1,937,963</b>	<b>\$ 109,037</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (1,820,000)</b>	<b>\$ (1,541,538)</b>	<b>\$ (5,143)</b>	<b>\$ (1,546,681)</b>	<b>\$ 273,319</b>
<b>Other financing sources :</b>					
Transfer-General Fund	\$ 20,000	\$ 20,000		\$ 20,000	
General obligation bonds issued	1,800,000	1,800,000		1,800,000	
<b>Total other financing sources</b>	<b>\$ 1,820,000</b>	<b>\$ 1,820,000</b>		<b>\$ 1,820,000</b>	
<b>Revenues and other financing sources over expenditures</b>	<b>\$ 0</b>	<b>\$ 278,462</b>	<b>\$ (5,143)</b>	<b>\$ 273,319</b>	<b>\$ 273,319</b>
<b>Fund balance:</b>					
Beginning of year, July 1			278,462		
End of year, June 30			<u>\$ 273,319</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL PROJECTS FUND  
 CITY HALL RENOVATION PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit D-2

		Actual				
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)	
Revenues:						
Investment earnings	\$ 50,000	\$ 33,338	\$ 7,514	\$ 40,852	\$ (9,148)	
Insurance settlements	82,780		84,512	84,512	1,732	
Easement - National Park Service *			199,000	199,000	199,000	
<b>Total revenues</b>	<u>\$ 132,780</u>	<u>\$ 33,338</u>	<u>\$ 291,026</u>	<u>\$ 324,364</u>	<u>\$ 191,584</u>	
Expenditures :						
General Government Capital outlay- City Hall renovation	<u>\$ 3,960,980</u>	<u>3,793,386</u>	<u>\$ 115,527</u>	<u>\$ 3,908,913</u>	<u>\$ 52,067</u>	
<b>Total expenditures</b>	<u>\$ 3,960,980</u>	<u>\$ 3,793,386</u>	<u>\$ 115,527</u>	<u>\$ 3,908,913</u>	<u>\$ 52,067</u>	
<b>Revenues over (under) expenditures</b>	<u>\$ (3,828,200)</u>	<u>\$ (3,760,048)</u>	<u>\$ 175,499</u>	<u>\$ (3,584,549)</u>	<u>\$ 243,651</u>	
Other financing sources :						
Proceeds of borrowing	\$ 3,500,000	\$ 3,500,000		\$ 3,500,000		
Transfer from / (to) General Fund	<u>328,200</u>	<u>328,200</u>	<u>\$ (243,651)</u>	<u>84,549</u>	<u>\$ (243,651)</u>	
<b>Total other financing sources</b>	<u>\$ 3,828,200</u>	<u>\$ 3,828,200</u>	<u>\$ (243,651)</u>	<u>\$ 3,584,549</u>	<u>\$ (243,651)</u>	
<b>Revenues and other financing sources over expenditures</b>	<u>\$ 0</u>	<u>\$ 68,152</u>	<u>\$ (68,152)</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Fund balance:						
Beginning of year, July 1			<u>68,152</u>			
End of year, June 30			<u>\$ 0</u>			

Easement - National Park Service \*  
 The City received \$199,000 from the National Park Service,  
 for a 50 year historic preservation easement on City Hall

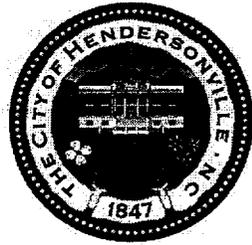


# **ENTERPRISE FUNDS**

---

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  
SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES- BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

Exhibit E-1

	2006				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2005 Actual
	Original	Final			
<b>Revenues:</b>					
<b>Operating revenues:</b>					
<b>Charges for services:</b>					
<b>Waste collection:</b>					
Residential	\$ 397,270	\$ 397,270	\$ 395,593	\$ (1,677)	\$ 246,347
Commercial	110,970	110,970	113,845	2,875	100,555
<b>Total operating revenues</b>	<b>\$ 508,240</b>	<b>\$ 508,240</b>	<b>\$ 509,438</b>	<b>\$ 1,198</b>	<b>\$ 346,902</b>
<b>Non-operating revenues:</b>					
<b>Miscellaneous:</b>					
FEMA settlement					\$ 78,000
Insurance proceeds		\$ 10,666	\$ 11,113	\$ 447	
Transfer from General Fund	\$ 613,380	613,380	613,380		576,710
<b>Total non-operating revenues</b>	<b>\$ 613,380</b>	<b>\$ 624,046</b>	<b>\$ 624,493</b>	<b>\$ 447</b>	<b>\$ 654,710</b>
<b>Total revenues</b>	<b>\$ 1,121,620</b>	<b>\$ 1,132,286</b>	<b>\$ 1,133,931</b>	<b>\$ 1,645</b>	<b>\$ 1,001,612</b>
<b>Expenditures:</b>					
<b>Waste collection and treatment:</b>					
Salaries and employee benefits	\$ 390,140	\$ 394,215	\$ 380,446	\$ 13,769	\$ 360,039
Landfill tipping fees	235,000	235,000	222,464	12,536	228,706
Other departmental expenses	131,850	141,975	137,550	4,425	113,240
Contracted services	192,000	199,000	207,123	(8,123)	135,536
<b>Total</b>	<b>\$ 948,990</b>	<b>\$ 970,190</b>	<b>\$ 947,583</b>	<b>\$ 22,607</b>	<b>\$ 837,521</b>
<b>Debt service:</b>					
Principal	\$ 20,050	\$ 20,050	\$ 20,042	\$ 8	\$ 19,406
Interest	2,580	2,580	2,575	5	3,211
<b>Total</b>	<b>\$ 22,630</b>	<b>\$ 22,630</b>	<b>\$ 22,617</b>	<b>\$ 13</b>	<b>\$ 22,617</b>
<b>Capital outlay</b>	<b>\$ 150,000</b>	<b>\$ 158,887</b>	<b>\$ 156,501</b>	<b>\$ 2,386</b>	<b>\$ 24,130</b>
<b>Total expenditures</b>	<b>\$ 1,121,620</b>	<b>\$ 1,151,707</b>	<b>\$ 1,126,701</b>	<b>\$ 25,006</b>	<b>\$ 884,268</b>
<b>Other financing sources:</b>					
Fund balance appropriated	\$	\$ 19,421		\$ (19,421)	
<b>Revenues and other financing sources over expenditures</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,230</b>	<b>\$ 7,230</b>	<b>\$ 117,344</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Payment of debt principal			20,042		19,406
Capital outlay			156,501		24,130
Book value of fixed asset disposals			(10,301)		
Increase / (decrease) in accrued revenues			3,646		1,476
(Increase) in allowance for uncollectible accounts			(6,149)		(1,334)
Depreciation			(37,743)		(27,141)
(Increase) / decrease in compensated absences			(1,912)		351
<b>Change in net assets</b>			<b>\$ 131,314</b>		<b>\$ 134,232</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

Exhibit E-2  
Page 1 of 3

	2006				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2005 Actual
	Original	Final			
<b>Revenues:</b>					
<b>Operating revenues:</b>					
<b>Charges for services:</b>					
Water sales	\$ 6,152,600	\$ 6,152,600	\$ 6,712,374	\$ 559,774	\$ 6,064,807
Sewer charges	3,622,500	3,622,500	3,892,412	269,912	3,561,748
Water and sewer taps	266,000	266,000	368,974	102,974	338,990
<b>Other operating revenues:</b>					
System development charges	801,700	851,483	1,505,238	653,755	1,320,518
Other	100,800	100,800	78,113	(22,687)	116,446
<b>Total operating revenues</b>	<b>\$ 10,943,600</b>	<b>\$ 10,993,383</b>	<b>\$ 12,557,111</b>	<b>\$ 1,563,728</b>	<b>\$ 11,402,509</b>
<b>Non-operating revenues:</b>					
Investment earnings	\$ 205,000	\$ 205,000	\$ 511,490	\$ 306,490	\$ 295,222
FEMA settlement					66,312
Transfer from General Fund	847,100	847,100	100,880		100,880
Sale of fixed assets	100	100	4,150		821,550
Other non-operating revenues	30,000	30,000	16,220	(13,780)	19,427
<b>Total non-operating revenues</b>	<b>\$ 1,082,200</b>	<b>\$ 1,082,200</b>	<b>\$ 632,740</b>	<b>\$ 292,710</b>	<b>\$ 1,303,391</b>
<b>Total revenues</b>	<b>\$ 12,025,800</b>	<b>\$ 12,075,583</b>	<b>\$ 13,189,851</b>	<b>\$ 1,856,438</b>	<b>\$ 12,705,900</b>
<b>Expenditures:</b>					
<b>Administration:</b>					
Salaries and employee benefits	\$ 135,500	\$ 142,216	\$ 132,182	\$ 10,034	\$ 125,413
Contracted services	79,000	76,557	82,937	(6,380)	98,194
Engineering department expense	135,090	135,090	145,202	(10,112)	120,580
Supplies	7,500	5,845	9,513	(3,668)	7,874
Other departmental expenses	301,400	313,287	295,280	18,007	252,404
<b>Total</b>	<b>\$ 658,490</b>	<b>\$ 672,995</b>	<b>\$ 665,114</b>	<b>\$ 7,881</b>	<b>\$ 604,465</b>
<b>Business operations:</b>					
Salaries and employee benefits	\$ 431,030	\$ 431,030	\$ 486,222	\$ (55,192)	\$ 462,752
Supplies	60,500	105,500	90,943	14,557	87,539
Other departmental expenses	275,510	263,419	189,648	73,771	211,226
<b>Total</b>	<b>\$ 767,040</b>	<b>\$ 799,949</b>	<b>\$ 766,813</b>	<b>\$ 33,136</b>	<b>\$ 761,517</b>
<b>Operations and maintenance:</b>					
Salaries and employee benefits	\$ 319,280	\$ 301,249	\$ 267,318	\$ 33,931	\$ 301,079
Utilities	130,000	169,159	164,347	4,812	141,247
Supplies	31,500	28,220	27,811	409	25,942
Other departmental expenses	328,100	303,967	216,910	87,057	148,279
<b>Total</b>	<b>\$ 808,880</b>	<b>\$ 802,595</b>	<b>\$ 676,386</b>	<b>\$ 126,209</b>	<b>\$ 616,547</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

Exhibit E-2  
Page 2 of 3

	2006				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2005 Actual
	Original	Final			
<b>Water treatment plant:</b>					
Salaries and employee benefits	\$ 487,750	\$ 487,750	\$ 457,810	\$ 29,940	\$ 466,971
Contracted services	37,000	37,000	120,770	(83,770)	48,933
Utilities	260,000	254,000	241,033	12,967	212,651
Chemicals	290,000	283,534	284,026	(492)	275,720
Supplies	39,300	52,378	46,636	5,742	61,130
Other departmental expenses	118,400	118,668	100,529	18,139	113,738
<b>Total</b>	<b>\$ 1,232,450</b>	<b>\$ 1,233,330</b>	<b>\$ 1,250,804</b>	<b>\$ (17,474)</b>	<b>\$ 1,179,143</b>
<b>Field operations:</b>					
Salaries and employee benefits	\$ 560,030	\$ 564,315	\$ 540,893	\$ 23,422	\$ 524,689
Supplies	39,300	37,811	36,958	853	36,044
Other departmental expenses	77,600	80,174	61,236	18,938	58,483
<b>Total</b>	<b>\$ 676,930</b>	<b>\$ 682,300</b>	<b>\$ 639,087</b>	<b>\$ 43,213</b>	<b>\$ 619,216</b>
<b>Water line maintenance:</b>					
Salaries and employee benefits	\$ 573,500	\$ 581,121	\$ 557,243	\$ 23,878	\$ 543,282
Contracted services	60,000	50,000	39,031	10,969	12,241
Issues from inventory	390,000	426,899	323,364	103,535	320,592
Supplies	97,000	86,490	72,612	13,878	83,177
Other departmental expenses	179,600	168,502	126,448	42,054	104,403
<b>Total</b>	<b>\$ 1,300,100</b>	<b>\$ 1,313,012</b>	<b>\$ 1,118,698</b>	<b>\$ 194,314</b>	<b>\$ 1,063,695</b>
<b>Waste treatment plant:</b>					
Salaries and employee benefits	\$ 477,280	\$ 477,280	\$ 437,634	\$ 39,646	\$ 446,021
Contracted services	32,000	32,000	22,555	9,445	23,399
Sludge management	350,000	350,000	261,260	88,740	282,811
Utilities	250,000	246,267	223,018	23,249	208,581
Supplies	60,400	61,214	40,189	21,025	30,460
Other departmental expenses	152,300	155,219	97,759	57,460	96,723
<b>Total</b>	<b>\$ 1,321,980</b>	<b>\$ 1,321,980</b>	<b>\$ 1,082,415</b>	<b>\$ 239,565</b>	<b>\$ 1,087,995</b>
<b>Sewer line maintenance:</b>					
Salaries and employee benefits	\$ 428,500	\$ 430,415	\$ 405,646	\$ 24,769	\$ 407,208
Contracted services	416,000	413,000	56,050	356,950	102,069
Issues from inventory	45,000	45,000	20,785	24,215	88,115
Supplies	82,000	80,336	69,481	10,855	73,056
Other departmental expenses	63,800	68,813	49,513	19,300	45,570
<b>Total</b>	<b>\$ 1,035,300</b>	<b>\$ 1,037,564</b>	<b>\$ 601,475</b>	<b>\$ 436,089</b>	<b>\$ 716,018</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

Exhibit E-2  
Page 3 of 3

	2006				2005 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Budgetary appropriations:					
Interest	\$ 487,350	\$ 492,350	\$ 493,592	\$ (1,242)	\$ 537,027
Debt principal	1,430,480	1,430,480	1,430,465	15	1,424,042
Transfer to General Fund					529,050
Capital outlay:					
Equipment	657,000	730,043	444,291	285,752	84,050
Water lines	3,119,250	3,185,027	32,333	3,152,694	52,488
Sewer lines	904,970	1,323,151	317,855	1,005,296	508,883
<b>Total</b>	<b>\$ 6,599,050</b>	<b>\$ 7,161,051</b>	<b>\$ 2,718,536</b>	<b>\$ 4,442,515</b>	<b>\$ 3,135,540</b>
<b>Total expenditures</b>	<b>\$ 14,400,220</b>	<b>\$ 15,024,776</b>	<b>\$ 9,519,328</b>	<b>\$ 5,505,448</b>	<b>\$ 9,784,136</b>
Revenues over (under) expenditures	\$ (2,374,420)	\$ (2,949,193)	\$ 3,670,523	\$ 7,361,886	\$ 2,921,764
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Transfer to Capital Projects Funds					(787,925)
Fund balance appropriated	2,574,420	3,149,193		(3,149,193)	
<b>Total other financing sources (uses)</b>	<b>\$ 2,374,420</b>	<b>\$ 2,949,193</b>	<b>\$ 0</b>	<b>\$ (2,949,193)</b>	<b>\$ (787,925)</b>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	\$ 3,670,523	<u>\$ 4,412,693</u>	\$ 2,133,839
Reconciliation of modified accrual basis to full accrual basis:					
Increase in accrued revenues			42,068		77,374
(Increase) / decrease in allowance for doubtful accounts			(19,453)		(8,054)
Transfer to capital projects funds					787,925
Capital grants			601,960		582,545
In-kind capital grant match			58,800		66,000
Payment of debt principal			1,430,465		1,424,042
Capital outlay			794,479		645,421
Book value of asset disposals					(182,977)
Decrease in bond and note interest accrued			9,532		9,601
Amortization of defeasance loss			(14,322)		(14,322)
Depreciation			(1,631,186)		(1,633,736)
Decrease in compensated absences			4,463		20,228
<b>Change in net assets</b>			<u>\$ 4,947,329</u>		<u>\$ 3,907,886</u>

# **WATER AND SEWER CAPITAL PROJECT FUNDS**

---

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

---

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER CAPITAL PROJECTS FUND  
BROOKSIDE CAMP ROAD WATERLINE EXTENSION  
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

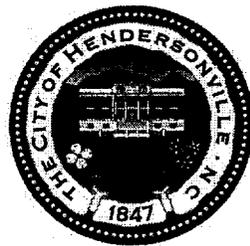
Exhibit E-3

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 822,670	\$ 582,545	\$ 309,000	\$ 891,545	\$ 68,875
Expenditures -					
Waterline Expansion :					
Capital outlay-construction:					
Phase I	\$ 277,820	\$ 264,262		\$ 264,262	\$ 13,558
Phase II	544,850	318,283	\$ 309,000	627,283	(82,433)
Other	120,000	66,000	58,800	124,800	(4,800)
Total expenditures	\$ 942,670	\$ 648,545	\$ 367,800	\$ 1,016,345	\$ (73,675)
Revenues (under) expenditures	\$ (120,000)	\$ (66,000)	\$ (58,800)	\$ (124,800)	\$ (4,800)
Other financing sources:					
In-kind contribution:					
Water and Sewer Fund	120,000	66,000	58,800	124,800	\$ 4,800
Total other financing sources	\$ 120,000	\$ 66,000	\$ 58,800	\$ 124,800	\$ 4,800
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER CAPITAL PROJECTS FUND  
BRIGHTWATER HEIGHTS WATER SYSTEM PROJECT  
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006

Exhibit E-4

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant - S T A G funds	\$ 547,250		\$ 292,960	\$ 292,960	\$ (547,250)
State grant - High Unit Cost grant	247,817				45,143
<b>Total revenues</b>	<b>\$ 795,067</b>	<b>\$ 0</b>	<b>\$ 292,960</b>	<b>\$ 292,960</b>	<b>\$ (502,107)</b>
Expenditures -					
Waterline construction:					
Engineering	\$ 65,200		\$ 50,720	\$ 50,720	\$ 14,480
Customer portion	180,000				180,000
Construction	652,000		292,960	292,960	359,040
Contingencies	97,800				97,800
<b>Total expenditures</b>	<b>\$ 995,000</b>	<b>\$ 0</b>	<b>\$ 343,680</b>	<b>\$ 343,680</b>	<b>\$ 651,320</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (199,933)</b>	<b>\$ 0</b>	<b>\$ (50,720)</b>	<b>\$ (50,720)</b>	<b>\$ 149,213</b>
Other financing sources:					
Proceeds of borrowing					
State Revolving Loan Fund	199,933				(199,933)
<b>Total other financing sources</b>	<b>\$ 199,933</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (199,933)</b>
<b>Revenues and other financing sources over (under) expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (50,720)</b>	<b>\$ (50,720)</b>	<b>\$ (50,720)</b>

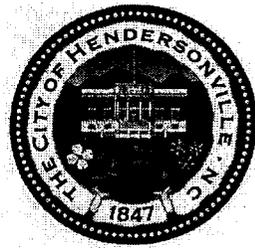


# **AGENCY FUNDS**

---

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 other funds.

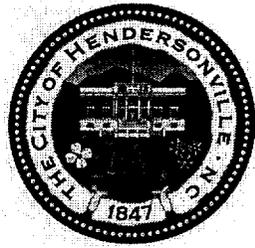
---



CITY OF HENDERSONVILLE, NORTH CAROLINA  
 FIREMEN'S RELIEF AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit F-1

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
 <b>ASSETS</b>				
Cash and investments	<u>\$ 511,397</u>	<u>\$ 37,588</u>	<u>\$ 35,075</u>	<u>\$ 513,910</u>
 <b>LIABILITIES</b>				
Due to other units	<u>\$ 511,397</u>	<u>\$ 37,588</u>	<u>\$ 35,075</u>	<u>\$ 513,910</u>



**CAPITAL ASSETS USED  
IN THE OPERATION OF  
GOVERNMENTAL FUNDS**

# **SCHEDULES SECTION**

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 JUNE 30, 2006 AND JUNE 30, 2005

Exhibit G-1

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
General Fixed Assets:		
Land	\$ 950,061	\$ 950,061
Buildings	7,885,860	7,567,262
Improvements other than buildings	2,378,265	2,119,548
Machinery, vehicles and equipment	4,046,526	4,031,652
Infrastructure	8,706,149	8,239,950
	<hr/>	<hr/>
Totals	<u>\$ 23,966,861</u>	<u>\$ 22,908,473</u>
Investment in General Fixed Assets by source:		
General Fund	\$ 16,465,125	\$ 15,668,240
Special Revenue Funds	1,569,419	1,439,918
Capital Projects Funds	5,844,317	5,712,315
Donations	88,000	88,000
	<hr/>	<hr/>
Totals	<u>\$ 23,966,861</u>	<u>\$ 22,908,473</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2006

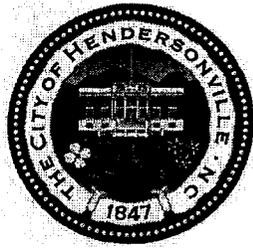
Exhibit G-2

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government:						
Administration	\$ 700,812	\$ 1,202,794				\$ 1,903,606
Finance		1,282,047		\$ 133,910		1,415,957
City engineer				45,321		45,321
Information technology				47,139		47,139
Central services		294,384		81,843		376,227
Public buildings				59,707		59,707
<b>Total general government</b>	<b>\$ 700,812</b>	<b>\$ 2,779,225</b>	<b>\$ 0</b>	<b>\$ 367,920</b>		<b>\$ 3,847,957</b>
Public safety:						
Police		\$ 2,136,746		\$ 1,214,300		\$ 3,351,046
Fire		1,295,871		1,384,821		2,680,692
Zoning				37,195		37,195
<b>Total public safety</b>	<b>\$ 0</b>	<b>\$ 3,432,617</b>	<b>\$ 0</b>	<b>\$ 2,636,316</b>		<b>\$ 6,068,933</b>
Transportation:						
Administration		\$ 1,109,500	\$ 127,102	\$ 55,316		\$ 1,291,918
Streets and highways			475,886	706,629	\$ 8,706,149	9,888,664
Traffic engineering				64,929		64,929
<b>Total transportation</b>	<b>\$ 0</b>	<b>\$ 1,109,500</b>	<b>\$ 602,988</b>	<b>\$ 826,874</b>	<b>\$ 8,706,149</b>	<b>\$ 11,245,511</b>
Park maintenance, drainage and lot clearing	\$ 249,249	\$ 564,518	\$ 1,775,277	\$ 215,416		2,804,460
<b>Totals</b>	<b>\$ 950,061</b>	<b>\$ 7,885,860</b>	<b>\$ 2,378,265</b>	<b>\$ 4,046,526</b>	<b>\$ 8,706,149</b>	<b>\$ 23,966,861</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit G-3

Function and Activity	Governmental Funds Capital Assets July 1, 2005	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2006
<b>General government:</b>					
Administration	\$ 1,788,079	\$ 115,527			\$ 1,903,606
Finance	1,415,957				1,415,957
City engineer	45,321				45,321
Information technology	40,139	7,000			47,139
Central services	292,511	88,792		\$ (5,075)	376,228
Public buildings	30,905			28,802	59,707
<b>Total general government</b>	<b>\$ 3,612,912</b>	<b>\$ 211,319</b>	<b>\$ 0</b>	<b>\$ 23,727</b>	<b>\$ 3,847,958</b>
<b>Public safety:</b>					
Police	\$ 3,373,939	\$ 127,805	\$ 150,698		\$ 3,351,046
Fire	2,680,692				2,680,692
Zoning	37,195				37,195
<b>Total public safety</b>	<b>\$ 6,091,826</b>	<b>\$ 127,805</b>	<b>\$ 150,698</b>	<b>\$ 0</b>	<b>\$ 6,068,933</b>
<b>Transportation:</b>					
Administration	\$ 1,164,816	\$ 127,102			\$ 1,291,918
Streets and highways	1,177,448	59,990	\$ 54,923		1,182,515
Bridge systems	3,470,011	449,724			3,919,735
Curb, gutter, drain systems	211,709				211,709
Sidewalk systems	1,335,447	16,475			1,351,922
Street systems	3,222,783				3,222,783
Traffic engineering	93,731			\$ (28,802)	64,929
<b>Total transportation</b>	<b>\$ 10,675,945</b>	<b>\$ 653,291</b>	<b>\$ 54,923</b>	<b>\$ (28,802)</b>	<b>\$ 11,245,511</b>
<b>Park maintenance, drainage and lot clearing</b>	<b>\$ 2,527,790</b>	<b>\$ 271,594</b>		<b>\$ 5,075</b>	<b>\$ 2,804,459</b>
<b>Totals</b>	<b>\$ 22,908,473</b>	<b>\$ 1,264,009</b>	<b>\$ 205,621</b>	<b>\$ 0</b>	<b>\$ 23,966,861</b>



# **PROPERTY TAXES**

CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2006

Exhibit H-1

Fiscal year	Uncollected Balance June 30, 2005	Additions	Collections and Credits	Uncollected Balance June 30, 2006
2005-2006		\$ 5,314,252	\$ 5,198,489	\$ 115,763
2004-2005	\$ 107,853		81,782	26,071
2003-2004	32,308		21,929	10,379
2002-2003	25,605		8,679	16,926
2001-2002	8,539		1,966	6,573
2000-2001	10,380		639	9,741
1999-2000	11,028		505	10,523
1998-1999	6,927		4	6,923
1997-1998	6,926		11	6,915
1996-1997	7,497		184	7,313
1995-1996	8,978		8,978	0
	<u>\$ 118,188</u>	<u>\$ 5,314,252</u>	<u>\$ 5,323,166</u>	<u>\$ 217,127</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>106,752</u>
Ad valorem taxes receivable, net				<u>\$ 110,375</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 5,309,803
Reconciling items:				
Interest collected				(34,831)
Taxes written off after 10 years				8,978
Releases and refunds				<u>39,216</u>
Total collections and credits				<u>\$ 5,323,166</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CITY-WIDE LEVY  
 ANALYSIS OF CURRENT TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit H-2

	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 1,235,435,814	\$ 0.43	\$ 5,312,374	\$ 4,985,785	\$ 326,589
Penalties			1,878	1,878	
Net levy	<u>\$ 1,235,435,814</u>		\$ 5,314,252	\$ 4,987,663	\$ 326,589
Uncollected taxes at June 30, 2006			<u>115,763</u>	<u>95,978</u>	<u>19,785</u>
Current year's taxes collected			<u>\$ 5,198,489</u>	<u>\$ 4,891,685</u>	<u>\$ 306,804</u>
Current levy collection percentage			<u>97.82%</u>	<u>98.08%</u>	<u>93.94%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
CITY-WIDE LEVY  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit H-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,035,445,839
Personal Property	178,899,971
Public Service Companies	<u>21,090,004</u>
Total Assessed Valuation	<u>\$ 1,235,435,814</u>
Tax Rate per \$100	<u>\$ 0.43</u>
Levy ( includes discoveries, releases, abatements ) (3)	<u>\$ 5,314,252</u>

- (1) Percentage of appraised value has been established by statute.
- (2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission
- (3) The levy includes interest and penalties for late listing.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
CITY-WIDE LEVY  
PRINCIPAL TAXPAYERS  
JUNE 30, 2006

Exhibit H-2b

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUE	% of TOTAL ASSESSED VALUE
Ingles Markets, Inc.	Grocery Chain	\$ 21,794,528	1.76%
Wal-Mart Stores, Inc.	Retail Sales	17,978,970	1.46%
HCRINC Properties	Nursing Homes	12,877,400	1.04%
Lowes of Hendersonville	Home Improvement	11,798,013	0.95%
Home Depot	Home Improvement	11,583,425	0.94%
BellSouth	Communications	9,933,907	0.80%
First Citizens Bank	Banking Service	9,916,573	0.80%
Blue Ridge Mall, LTD.	Retail Sales	9,861,200	0.80%
Boyd L. Hyder	Entrepreneur	9,527,456	0.77%
Triangle Real Estate, Inc.	Real Estate Sales	9,489,100	0.77%
	Total	<u>\$ 124,760,572</u>	<u>10.10%</u>

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

NOT FINISHED NEED TOTAL ASSESSED VALUE

CITY OF HENDERSONVILLE, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2006

Exhibit H-3

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections and Credits	Uncollected Balance June 30, 2006
2005-2006		\$ 173,794	\$ 169,450	\$ 4,344
2004-2005	\$ 5,661		3,534	2,127
2003-2004	2,646		2,127	519
2002-2003	1,224		512	712
2001-2002	381		84	297
2000-2001	330			330
1997-1998	31			31
1995-1996	220		220	0
	<u>\$ 10,493</u>	<u>\$ 173,794</u>	<u>\$ 175,927</u>	<u>\$ 8,360</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>7,278</u>
Ad valorem taxes receivable - net				<u>\$ 1,082</u>
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 177,479
Reconciling items:				
Interest collected				(1,552)
Total collections and credits				<u>\$ 175,927</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit H-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 57,898,000	\$ 0.30	\$ 173,694	\$ 173,105	\$ 589
Penalties			100	100	
Net levy	<u>\$ 57,898,000</u>		\$ 173,794	\$ 173,205	\$ 589
Uncollected taxes at June 30, 2006				4,344	<u>0</u>
Current year's taxes collected			<u>\$ 173,794</u>	<u>\$ 168,861</u>	<u>\$ 589</u>
Current levy collection percentage			<u>100.00%</u>	<u>97.49%</u>	<u>100.00%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SEVENTH AVENUE TAX DISTRICT FUND  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 JUNE 30, 2006

Exhibit H-5

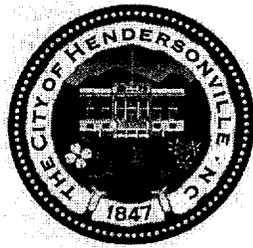
Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections and Credits	Uncollected Balance June 30, 2006
2005-2006		\$ 8,367	\$ 7,629	\$ 738
2004-2005	1,202		1,024	178
2003-2004	\$ 303		180	123
2002-2003	109		1	108
2001-2002	98			98
2000-2001	22			22
1998-1999	40			40
	<u>\$ 1,774</u>	<u>\$ 8,367</u>	<u>\$ 8,834</u>	<u>\$ 1,307</u>
Less allowance for uncollectible ad valorem taxes receivable				356
Ad valorem taxes receivable - net				<u>\$ 951</u>
Reconciliation with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 9,080
Reconciling items:				
Interest collected				(246)
Total collections and credits				<u>\$ 8,834</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SEVENTH AVENUE TAX DISTRICT FUND  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2006

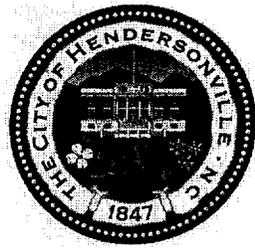
Exhibit H-6

	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 8,361,000	\$ 0.10	\$ 8,361	\$ 7,964	\$ 397
Penalties			5	5	
Net levy	<u>\$ 8,361,000</u>		\$ 8,366	\$ 7,969	\$ 397
Uncollected taxes at June 30, 2006			<u>738</u>	<u>738</u>	<u>0</u>
Current year's taxes collected			<u>\$ 7,628</u>	<u>\$ 7,231</u>	<u>\$ 397</u>
Current levy collection percentage			<u>91.18%</u>	<u>90.74%</u>	<u>100.00%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.



# **TRANSFERS**



# **SINGLE AUDIT SECTION**

# **COMPLIANCE SECTION**

# CARLAND & ANDERSEN INCORPORATED

RONALD G. CARLAND, CPA  
TERRY B. ANDERSEN, CPA

CERTIFIED PUBLIC ACCOUNTANTS

F.T. CARLAND, CPA  
MYRA L. DAVIS, CPA  
HAROLD C. REID, CPA

307 NORTH CHURCH STREET  
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NORTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## 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

To the Honorable Mayor and the  
Board of Commissioners  
City of Hendersonville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2006, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 29, 2006. 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. The financial statements of the City of Hendersonville ABC Board were not audited in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hendersonville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City of Hendersonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the City of Hendersonville, in a separate letter dated November 29, 2006.

This report is intended solely for the information and use of management, others within the organization, members of the City Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2006

*Cornel & Andersen Incorporated*

# CARLAND & ANDERSEN INCORPORATED

RONALD G. CARLAND, CPA  
TERRY B. ANDERSEN, CPA

F.T. CARLAND, CPA  
MYRA L. DAVIS, CPA  
HAROLD C. REID, CPA

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET  
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Honorable Mayor and the  
Board of Commissioners  
City of Hendersonville, North Carolina

### Compliance

We have audited the compliance of the City of Hendersonville, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Hendersonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on the City of Hendersonville's compliance, based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Hendersonville's compliance with those requirements.

In our opinion, the City of Hendersonville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the City of Hendersonville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hendersonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

November 29, 2006

*Carroll & Anderson Incorporated*

# CARLAND & ANDERSEN INCORPORATED

RONALD G. CARLAND, CPA  
TERRY B. ANDERSEN, CPA

F.T. CARLAND, CPA  
MYRA L. DAVIS, CPA  
HAROLD C. REID, CPA

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET  
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NORTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and the  
Board of Commissioners  
City of Hendersonville, North Carolina

### Compliance

We have audited the compliance of the City of Hendersonville, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. The City of Hendersonville's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State programs is the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on the City of Hendersonville's compliance, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Hendersonville's compliance with those requirements.

In our opinion, the City of Hendersonville complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2006.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City of Hendersonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the City of Hendersonville, in a separate letter dated November 29, 2006.

This report is intended solely for the information and use of management, others within the organization, members of the City Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2006

*Careel & Andersen Incorporated*

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit I-1  
Page 1 of 2

**I. Summary of Auditors' Results:**

**Basic Financial Statements:**

An unqualified opinion was issued on the basic financial statements of The City of Hendersonville, North Carolina.

Our audit of the basic financial statements disclosed no material weaknesses over financial reporting, or reportable conditions in internal controls.

Our audit of the basic financial statements disclosed no instance of noncompliance with laws, regulations and the provisions of contracts and grant agreements that was material to the basic financial statements.

**Financial Statement Findings:**

There were no current or prior year findings or questioned costs.

**Federal and State Awards:**

Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses or reportable conditions in internal control over major programs.

There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

**Federal Awards:**

An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to major federal programs.

Major federal program for the City of Hendersonville for the fiscal year ended June 30, 2006 is:

Bridge Replacement Program 20.205-1

The threshold for determining Type A programs for the City of Hendersonville is \$300,000.

The City of Hendersonville did not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit I-1  
Page 2 of 2

**Federal Award Findings and Questioned Costs:**

There were no current or prior year findings or questioned costs.

**State Awards:**

Major state program for the City of Hendersonville for the fiscal year ended June 30, 2006 is:

Powell Bill Program	32,570
---------------------	--------

There were no audit findings that are required to be reported in accordance with the State Single Audit Implementation Act.

**State Award Findings and Questioned Costs:**

There were no current or prior year findings or questioned costs.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal C F D A Number	State/ Passthrough Grantor's No.	Fed'l (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U. S. Department of Transportation</u>					
National Highway Safety Administration					
Pass-through N. C. Department of Transportation					
N. C. Governor's Highway Safety Program	20.600	PT-05-04-04-23	\$ 17,686		\$ 5,895
<u>U. S. Environmental Protection Agency</u>					
Leaking Underground Storage Tank Trust Fund					
Pass-through North Carolina Department of Environment and Natural Resources					
Pass-through Henderson County					
Brookside Camp Road Waterline Extension	66.805	DEH-03-01613	273,680		
Pass-through N.C. Department of Crime Control and Public Safety					
Robert T. Stafford Disaster Relief and Emergency Assistance Act					
N. C. Mitigation Program	97.039				
Hazard Mitigation Plan Program		HMGP-1448-0038	5,000		
<u>U. S. Department of Housing and Urban Development</u>					
Community Development Block Grant					
Pass-through N.C. Department of Commerce					
North Carolina Small Cities CDBG					
Crisis Housing Assistance	14.228				
CDBG Village at King Creek		02-C-0980	4,080		
Pass-through Henderson County					
Brookside Camp Waterline Extension		DEH-03-01613	35,321		58,800
<u>U. S. Department of Justice</u>					
Pass-through N.C. Department of Crime Control and Public Safety					
Drug Control and Substance Abuse	16.579				
Communications Interoperability Initiative		045-1-05-006-BH-806	19,687		6,563
Policing for Safer Parks Program		045-1-05-001-BH-769	15,041		5,013
2003 Local Law Enforcement Block Grant		2003-LB-BX-2756	12,850		1,428
Juvenile Justice Program	16.540				
Boys & Girls Club "YES" Program Grant		045-1-04-009-AJ388	60,000		
<u>U. S. Department of Transportation</u>					
Pass-through N. C. Department of Transportation					
Bridge Replacement	20.205-1	32864.3.4	236,977		
Bridge Replacement		32864.3.5	516,601		
1902 Train Depot Renovation Project	20.205-2	34116.1.1	75,000		15,000
Total Cash Assistance - Federal Programs			\$ 1,271,923	\$ 0	\$ 92,699

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit I-2  
 Page 2 of 2

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal C F D A Number</u>	<u>State/ Passthrough Grantor's No.</u>	<u>Fed'I (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State Grants:</b>					
<b>Cash Programs:</b>					
<u>N. C. Dept of Environment and Natural Resources</u>					
High Unit Cost Grant					
Brightwater Heights Water System Project		DEH-1030A		\$ 292,960	
<u>N. C. Department of Transportation:</u>					
Powell Bill Program		32570		373,351	
Total Cash Assistance - State Programs				<u>\$ 666,311</u>	<u>\$ 0</u>
Total Assistance - All Programs			<u>\$ 1,271,923</u>	<u>\$ 666,311</u>	<u>\$ 92,699</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Hendersonville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

# STATISTICAL SECTION

This section of the City of Hendersonville's ("City") comprehensive annual financial report presents detailed trend and other information as a context for understanding what the information in the basic financial statements, notes to the basic financial statements, required supplementary information and other supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page Number</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	107
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	113
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	117
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	121
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	123

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 ASSETS BY COMPONENT

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	(A)	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182
Restricted	(A)	(A)	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781
Unrestricted	(A)	(A)	(A)	(A)	(A)	(A)	5,145,924	5,560,586	9,624,355	10,440,777
Total Governmental Activities Net Assets							<u>\$ 18,131,054</u>	<u>\$ 18,845,488</u>	<u>\$ 21,384,070</u>	<u>\$ 22,874,740</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	(A)	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856
Restricted	(A)	(A)	(A)	(A)	(A)	(A)	-	-	-	-
Unrestricted	(A)	(A)	(A)	(A)	(A)	(A)	16,970,755	16,529,871	19,622,250	23,287,979
Total Business-Type Activities Net assets							<u>\$ 46,555,676</u>	<u>\$ 46,019,075</u>	<u>\$ 50,061,192</u>	<u>\$ 55,139,835</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	(A)	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038
Restricted	(A)	(A)	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781
Unrestricted	(A)	(A)	(A)	(A)	(A)	(A)	22,116,679	22,090,457	29,246,605	33,728,756
Total Primary Government Net Assets							<u>\$ 64,686,730</u>	<u>\$ 64,864,563</u>	<u>\$ 71,445,262</u>	<u>\$ 78,014,575</u>

(A) GASB 34 was not implemented until the 2003 fiscal year; net asset information is not available prior to that fiscal year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

801

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes by Source:										
Property Tax	\$ 3,591,810	\$ 3,691,049	\$ 3,714,514	\$ 3,959,460	\$ 4,163,104	\$ 4,228,198	\$ 4,477,569	\$ 5,002,199	\$ 5,156,941	\$ 5,309,803
Sales Tax	1,408,022	1,480,760	1,537,246	1,611,561	1,697,067	1,740,809	1,829,132	2,191,223	2,407,414	2,551,264
Other Taxes	52,881	50,621	54,420	67,883	74,076	82,865	85,549	79,741	76,151	79,707
Unrestricted Intergovernmental	1,032,009	1,014,766	1,043,676	1,147,367	1,222,055	489,289	822,455	847,401	874,925	912,419
Restricted Intergovernmental	356,555	376,595	371,941	743,859	426,854	541,484	475,314	483,818	1,492,386	1,092,028
Permits and Fees	48,725	45,234	52,952	53,055	61,433	65,156	73,840	82,210	67,867	169,562
Sales and Services	109,395	90,033	98,133	103,432	91,432	103,129	88,293	104,708	117,725	170,312
Investment Earnings	275,646	341,226	316,046	390,911	417,421	152,156	91,611	51,887	176,604	501,524
Miscellaneous	126,494	77,364	108,125	75,710	242,625	77,238	139,265	123,661	273,129	105,680
<b>Total Revenues</b>	<b>7,001,537</b>	<b>7,167,648</b>	<b>7,297,053</b>	<b>8,153,238</b>	<b>8,396,067</b>	<b>7,480,324</b>	<b>8,083,028</b>	<b>8,966,848</b>	<b>10,643,142</b>	<b>10,892,299</b>
<b>Expenditures</b>										
Current:										
General Government	952,908	1,087,275	1,085,407	1,117,279	1,356,247	1,320,254	1,439,074	1,327,880	2,154,392	1,543,951
Public Safety	2,965,337	3,144,999	3,554,285	4,587,059	3,572,098	3,730,098	3,959,838	4,548,748	4,556,815	4,530,075
Transportation	975,655	926,885	920,597	1,751,781	1,238,930	1,442,117	2,120,689	1,010,873	2,377,499	2,260,783
Park Maintenance & Drainage	283,433	308,652	281,017	310,778	449,063	342,621	413,026	383,006	490,495	567,525
Cultural and Recreation	47,037	71,013	24,884	22,902	24,795	32,965	53,781	54,132	153,736	133,574
Capital Outlay:	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	11,220	-	99,953	219,778	235,078	239,827	243,940	359,283	471,026	475,296
Interest and Fees	10,581	-	103,876	135,630	146,566	130,504	120,648	180,429	234,207	218,542
<b>Total Expenditures</b>	<b>5,246,171</b>	<b>5,538,824</b>	<b>6,070,019</b>	<b>8,145,207</b>	<b>7,022,777</b>	<b>7,238,386</b>	<b>8,350,996</b>	<b>7,864,351</b>	<b>10,438,170</b>	<b>9,729,746</b>
Excess of Revenues Over (Under) Expenditures	\$ 1,755,366	1,628,824	1,227,034	8,031	1,373,290	241,938	(267,968)	1,102,497	204,972	\$ 1,162,553

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Other Financing Sources (Uses):</b>										
Proceeds of Debt - Capital Leases	\$ -	\$ -	\$ 90,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	950,000	-	-	-	-	-	-	-
<b>Operating Transfers From (To) Other Funds:</b>										
<b>Enterprise Fund:</b>										
Solid Waste Fund	-	(297,000)	(318,000)	(351,980)	(383,460)	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)
Water and Sewer Fund	(222,820)	(139,920)	(100,910)	(100,880)	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	-	-	-	-	-	529,050	-
Seventh Avenue Tax District	-	-	-	-	-	-	-	-	-	(5,300)
Capital Projects Fund - City Hall Renov	-	-	-	-	-	-	-	-	(328,200)	243,651
Capital Reserve Fund	181,431	185,000	108,000	-	-	796,717	1,190,000	516,417	1,341,600	542,630
Capital Reserve Fund	(876,818)	(1,409,124)	(1,181,711)	(667,126)	-	-	(1,034,447)	-	(742,675)	-
Capital Projects Fund - Sidewalks	-	(20,000)	-	-	-	-	-	-	-	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	-	-	(72,000)	-
Downtown Tax District	-	-	-	(20,000)	(20,000)	(10,000)	-	-	-	-
Seventh Avenue Tax District	-	-	(11,367)	4,000	4,000	3,370	-	-	-	-
Operating Transfers from ABC Board:	-	-	-	-	-	-	-	-	-	-
Law Enforcement	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-	-	-
Profit Distribution	85,968	136,972	75,148	58,808	72,500	78,000	81,500	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(812,239)</b>	<b>(1,524,072)</b>	<b>(367,992)</b>	<b>(1,057,178)</b>	<b>(407,840)</b>	<b>(172,410)</b>	<b>(988,207)</b>	<b>(98,303)</b>	<b>50,185</b>	<b>66,721</b>
<b>Net Change in Fund Balances</b>	<b>943,127</b>	<b>104,752</b>	<b>859,042</b>	<b>(1,049,147)</b>	<b>965,450</b>	<b>69,528</b>	<b>(1,256,175)</b>	<b>1,004,194</b>	<b>255,157</b>	<b>1,229,274</b>
Capital Asset Expenditures	\$ 360,548	476,000	636,227	1,510,069	722,899	551,358	1,287,849	471,881	2,137,410	\$ 1,002,507
Debt Service as a										
Percentage of Noncapital Expenditures	0.4%	0.0%	3.8%	5.4%	6.1%	5.5%	5.2%	7.3%	8.5%	8.0%

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 1,233,990	\$ 1,019,124	\$ 2,457,385	\$ 1,859,397	\$ 2,161,581	\$ 2,004,317	\$ 1,736,698	\$ 1,818,166	\$ 2,662,611	\$ 2,154,351
Unreserved	4,741,515	5,061,134	4,481,914	4,030,755	4,694,021	4,920,813	3,830,757	4,753,483	4,164,195	5,901,729
Total General Fund	<u>5,975,505</u>	<u>6,080,258</u>	<u>6,939,299</u>	<u>5,890,152</u>	<u>6,855,602</u>	<u>6,925,130</u>	<u>5,567,455</u>	<u>6,571,649</u>	<u>6,826,806</u>	<u>8,056,080</u>
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, Reported In:										
Special Revenue Funds	1,642,646	2,929,610	4,121,843	5,038,172	5,329,658	4,659,931	4,501,330	3,765,904	3,364,194	2,916,977
Capital Projects Funds	-	1,791,790	974,966	668,000	570,837	259,384	337,364	281,985	278,462	273,319
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
List Any Other Fund Types	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,642,646</u>	<u>\$ 4,721,400</u>	<u>\$ 5,096,809</u>	<u>\$ 5,706,172</u>	<u>\$ 5,900,495</u>	<u>\$ 4,919,315</u>	<u>\$ 4,838,694</u>	<u>\$ 4,047,889</u>	<u>\$ 3,642,656</u>	<u>\$ 3,190,296</u>

Note: Special Revenue Fund unreserved is attributable mainly to the Capital Reserve Fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes by Source:										
Property Tax	\$ 3,591,810	\$ 3,691,049	\$ 3,714,514	\$ 3,959,460	\$ 4,163,104	\$ 4,228,198	\$ 4,477,569	\$ 5,002,199	\$ 5,156,941	\$ 5,309,803
Sales Tax	1,408,022	1,480,760	1,537,246	1,611,561	1,697,067	1,740,809	1,829,132	2,191,223	2,407,414	2,551,264
Other Taxes	52,881	50,621	54,420	67,883	74,076	82,865	85,549	79,741	76,151	79,707
Unrestricted Intergovernmental	1,032,009	1,014,766	1,043,676	1,147,367	1,222,055	489,289	822,455	847,401	874,925	912,419
Restricted Intergovernmental	356,555	376,595	371,941	743,859	426,854	541,484	475,314	483,818	1,492,386	1,092,028
Permits and Fees	48,725	45,234	52,952	53,055	61,433	65,156	73,840	82,210	67,867	169,562
Sales and Services	109,395	90,033	98,133	103,432	91,432	103,129	88,293	104,708	117,725	170,312
Investment Earnings	275,646	341,226	316,046	390,911	417,421	152,156	91,611	51,887	176,604	501,524
Miscellaneous	126,494	77,364	108,125	75,710	242,625	77,238	139,265	123,661	273,129	105,680
<b>Total Revenues</b>	<b>7,001,537</b>	<b>7,167,648</b>	<b>7,297,053</b>	<b>8,153,238</b>	<b>8,396,067</b>	<b>7,480,324</b>	<b>8,083,028</b>	<b>8,966,848</b>	<b>10,643,142</b>	<b>10,892,299</b>
<b>Expenditures</b>										
Current:										
General Government	952,908	1,087,275	1,085,407	1,117,279	1,356,247	1,320,254	1,439,074	1,327,880	2,154,392	1,543,951
Public Safety	2,965,337	3,144,999	3,554,285	4,587,059	3,572,098	3,730,098	3,959,838	4,548,748	4,556,815	4,530,075
Transportation	975,655	926,885	920,597	1,751,781	1,238,930	1,442,117	2,120,689	1,010,873	2,377,499	2,260,783
Park Maintenance & Drainage	283,433	308,652	281,017	310,778	449,063	342,621	413,026	383,006	490,495	567,525
Cultural and Recreation	47,037	71,013	24,884	22,902	24,795	32,965	53,781	54,132	153,736	133,574
Capital Outlay:	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	11,220	-	99,953	219,778	235,078	239,827	243,940	359,283	471,026	475,296
Interest and Fees	10,581	-	103,876	135,630	146,566	130,504	120,648	180,429	234,207	218,542
<b>Total Expenditures</b>	<b>5,246,171</b>	<b>5,538,824</b>	<b>6,070,019</b>	<b>8,145,207</b>	<b>7,022,777</b>	<b>7,238,386</b>	<b>8,350,996</b>	<b>7,864,351</b>	<b>10,438,170</b>	<b>9,729,746</b>
Excess of Revenues Over (Under) Expenditures	\$ 1,755,366	1,628,824	1,227,034	8,031	1,373,290	241,938	(267,968)	1,102,497	204,972	\$ 1,162,553

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Other Financing Sources (Uses):</b>										
Proceeds of Debt - Capital Leases	\$ -	\$ -	\$ 90,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	950,000	-	-	-	-	-	-	-
<b>Operating Transfers From (To) Other Funds:</b>										
<b>Enterprise Fund:</b>										
Solid Waste Fund	-	(297,000)	(318,000)	(351,980)	(383,460)	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)
Water and Sewer Fund	(222,820)	(139,920)	(100,910)	(100,880)	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	-	-	-	-	-	529,050	-
Seventh Avenue Tax District	-	-	-	-	-	-	-	-	-	(5,300)
Capital Projects Fund - City Hall Renov	-	-	-	-	-	-	-	-	(328,200)	243,651
Capital Reserve Fund	181,431	185,000	108,000	-	-	796,717	1,190,000	516,417	1,341,600	542,630
Capital Reserve Fund	(876,818)	(1,409,124)	(1,181,711)	(667,126)	-	-	(1,034,447)	-	(742,675)	-
Capital Projects Fund - Sidewalks	-	(20,000)	-	-	-	-	-	-	-	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	-	-	(72,000)	-
Downtown Tax District	-	-	-	(20,000)	(20,000)	(10,000)	-	-	-	-
Seventh Avenue Tax District	-	-	(11,367)	4,000	4,000	3,370	-	-	-	-
Operating Transfers from ABC Board:	-	-	-	-	-	-	-	-	-	-
Law Enforcement	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-	-	-
Profit Distribution	85,968	136,972	75,148	58,808	72,500	78,000	81,500	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(812,239)</b>	<b>(1,524,072)</b>	<b>(367,992)</b>	<b>(1,057,178)</b>	<b>(407,840)</b>	<b>(172,410)</b>	<b>(988,207)</b>	<b>(98,303)</b>	<b>50,185</b>	<b>66,721</b>
<b>Net Change in Fund Balances</b>	<b>943,127</b>	<b>104,752</b>	<b>859,042</b>	<b>(1,049,147)</b>	<b>965,450</b>	<b>69,528</b>	<b>(1,256,175)</b>	<b>1,004,194</b>	<b>255,157</b>	<b>1,229,274</b>
Capital Asset Expenditures	\$ 360,548	476,000	636,227	1,510,069	722,899	551,358	1,287,849	471,881	2,137,410	\$ 1,002,507
Debt Service as a										
Percentage of Noncapital Expenditures	0.4%	0.0%	3.8%	5.4%	6.1%	5.5%	5.2%	7.3%	8.5%	8.0%

112

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

**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		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					
1997	\$ 75,249,300	\$ 456,317,276	\$ 33,687,836	\$ 60,588,760	\$ 2,543,900	\$ 623,299,272	\$ 0.55	\$ 709,423,255	87.9%
1998	69,644,300	472,883,816	51,910,367	84,175,741	2,652,770	675,961,454	0.55	797,500,536	84.8%
1999	71,290,319	485,692,416	41,492,182	70,094,252	2,630,260	665,938,909	0.55	678,569,618	98.1%
2000	78,660,889	651,031,956	64,024,888	96,846,990	2,507,390	888,057,333	0.45	925,445,324	96.0%
2001	102,296,773	659,375,350	58,557,111	105,331,045	2,507,390	923,052,889	0.45	1,085,994,457	85.0%
2002	108,593,246	664,342,693	65,713,556	111,626,793	2,634,510	947,641,778	0.45	1,089,243,022	87.0%
2003	134,644,830	687,389,458	64,149,556	113,360,767	4,045,011	995,499,600	0.45	1,000,803,860	99.5%
2004	160,476,823	819,368,234	63,347,209	120,327,991	6,268,757	1,157,251,500	0.43	1,247,202,145	92.8%
2005	164,191,261	838,295,640	69,166,976	108,786,181	6,795,958	1,173,644,100	0.43	1,357,441,707	86.5%
2006	\$ 190,635,522	872,951,254	75,950,930	102,949,041	7,050,933	1,235,435,814	0.43	\$ 1,565,824,859	78.9%

113

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2003. Tax rates are per \$100 of assessed value. Beginning in fiscal year 2001, Henderson County decreased the vehicle tax assessment rate.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>City Direct Rates:</b>										
Basic Rate	\$ 0.550	\$ 0.550	\$ 0.550	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430
Debt Service	-	-	-	-	-	-	-	-	-	-
<b>Total Direct Rate</b>	<b>0.550</b>	<b>0.550</b>	<b>0.550</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.430</b>	<b>0.430</b>	<b>0.430</b>
<b>County Rates:</b>										
Henderson County	0.515	0.545	0.585	0.500	0.500	0.500	0.500	0.475	0.475	0.515
Town of Fletcher	0.180	0.250	0.250	0.250	0.250	0.250	0.270	0.250	0.270	0.270
Town of Laurel Park	0.390	0.360	0.360	0.310	0.310	0.310	0.310	0.300	0.310	0.310
Town of Mills River	-	-	-	-	-	-	-	0.070	0.075	0.075
Village of Flat Rock	-	-	-	-	-	-	-	-	-	0.085
<b>Fire (14) District Rates:</b>										
From Lowest	0.070	0.070	0.070	0.060	0.060	0.065	0.065	0.060	0.065	0.065
To Highest	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.115	0.115
<b>Special Purpose District Rates:</b>										
Downtown Tax District	0.250	0.250	0.250	0.250	0.300	0.300	0.300	0.300	0.300	0.300
Seventh Avenue Tax District	-	-	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100

Source: Henderson County Tax Assessor's Office

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Hendersonville. Not all overlapping rates apply to all of the City of Hendersonville 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**

**PRINCIPAL PROPERTY TAXPAYERS**

**JUNE 30, 2006**

**UNAUDITED**

<b>Taxpayer</b>	<b>2006</b>			<b>1997</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Ingles Markets, Inc.	\$ 21,794,528	1	1.76%	\$ -		
Wal-Mart, Inc.	17,978,970	2	1.46%	6,540,510	7	1.05%
HCRINC Properties	12,877,400	3	1.04%	-		
Lowe's of Hendersonville	11,798,013	4	0.95%	7,252,770	5	1.16%
Home Depot	11,583,425	5	0.94%	-		
BellSouth	9,933,907	6	0.80%	12,003,017	2	1.93%
First Citizens Bank	9,916,573	7	0.80%	-		
Blue Ridge Mall, LTD.	9,861,200	8	0.80%	13,462,000	1	2.16%
Boyd L. Hyder	9,527,456	9	0.77%	8,132,451	3	1.30%
Triangle Real Estate, Inc.	9,489,100	10	0.77%	-		
Duke Energy	-			7,432,572	4	1.19%
Robert D. Williams	-			7,012,600	6	1.13%
Belk-Simpson, Inc.	-			3,111,870	8	0.50%
Wachovia Bank of N.C.	-			2,819,050	9	0.45%
Swiss Hospitality, Inc.	-			2,739,680	10	0.44%
<b>Totals</b>	<b>\$ 124,760,572</b>		<b>10.10%</b>	<b>\$ 70,506,520</b>		<b>11.31%</b>

Source: Henderson County Tax Assessor's Office.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 3,187,621	\$ 240,525	\$ 3,428,146	\$ 3,368,190	98.3%	\$ 267,789	\$ 3,635,979	106.1%
1998	3,101,008	271,739	3,372,747	3,325,619	98.6%	88,174	3,413,793	101.2%
1999	3,327,310	107,147	3,434,457	3,376,457	98.3%	65,293	3,441,750	100.2%
2000	3,586,605	121,541	3,708,146	3,603,215	97.2%	75,520	3,678,735	99.2%
2001	3,552,150	338,081	3,890,231	3,785,365	97.3%	121,223	3,906,588	100.4%
2002	3,781,531	182,146	3,963,677	3,866,099	97.5%	121,256	3,987,355	100.6%
2003	3,896,307	299,574	4,195,881	4,070,731	97.0%	154,817	4,225,548	100.7%
2004	4,281,731	407,473	4,689,204	4,593,772	98.0%	113,760	4,707,532	100.4%
2005	4,636,382	118,923	4,755,305	4,667,594	98.2%	188,897	4,856,491	102.1%
2006	\$ 4,826,530	161,133	4,987,663	4,891,685	98.1%	124,677	\$ 5,016,362	100.6%

116

Source: Carland & Andersen, Inc. Annual Audits.

**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	Capital Leases	General Obligation Bonds	Other Bonds	Capital Leases			
1997	\$ -	-	-	3,850,000	-	-	3,850,000	202.9%	\$ 404
1998	1,800,000	-	-	3,650,000	-	-	5,450,000	271.5%	566
1999	1,710,000	-	-	3,485,000	-	-	5,195,000	234.6%	545
2000	1,620,000	-	-	3,170,000	-	-	4,790,000	206.7%	483
2001	1,530,000	-	-	2,855,000	-	-	4,385,000	176.1%	420
2002	1,440,000	-	-	2,545,000	-	-	3,985,000	149.5%	354
2003	1,350,000	-	-	2,240,000	-	-	3,590,000	127.4%	311
2004	1,260,000	-	-	1,940,000	-	-	3,200,000	109.6%	274
2005	1,170,000	-	-	1,645,000	-	-	2,815,000	92.9%	233
2006	\$ 1,080,000	-	-	1,355,000	-	-	2,435,000	77.4%	\$ 199

117

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.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1997	\$ -	-	-		
1998	1,800,000	-	1,800,000	0.2%	187
1999	1,710,000	-	1,710,000	0.3%	179
2000	1,620,000	-	1,620,000	0.2%	163
2001	1,530,000	-	1,530,000	0.1%	147
2002	1,440,000	-	1,440,000	0.1%	128
2003	1,350,000	-	1,350,000	0.1%	117
2004	1,260,000	-	1,260,000	0.1%	108
2005	1,170,000	-	1,170,000	0.1%	97
2006	\$ 1,080,000	-	1,080,000	0.1%	\$ 88

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, 2006**

**UNAUDITED**

<b>Governmental Unit</b>	<b>Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>City:</b>			
City of Hendersonville	\$ 1,080,000	100.0%	\$ 1,080,000
<b>County:</b>			
Henderson County	6,680,000	100.0%	6,680,000
Cane Creek Sewer District	1,178,000	100.0%	1,178,000
Subtotal, Overlapping Debt			<u>7,858,000</u>
City of Hendersonville Direct			<u>1,080,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 8,938,000</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 50,046,371	54,280,428	53,487,334	71,255,007	74,044,822	76,022,075	79,963,569	92,704,661	94,435,205	\$ 99,398,940
Total Net Debt Applicable to Debt Limit	4,192,000	6,766,814	7,445,111	6,971,297	19,570,447	20,297,233	18,670,282	20,623,408	18,967,255	18,003,776
Legal Debt Margin	<u>\$ 45,854,371</u>	<u>47,513,614</u>	<u>46,042,223</u>	<u>64,283,710</u>	<u>54,474,375</u>	<u>55,724,842</u>	<u>61,293,287</u>	<u>72,081,253</u>	<u>75,467,950</u>	<u>\$ 81,395,164</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>8.4%</u>	<u>12.5%</u>	<u>13.9%</u>	<u>9.8%</u>	<u>26.4%</u>	<u>26.7%</u>	<u>23.3%</u>	<u>22.2%</u>	<u>20.1%</u>	<u>18.1%</u>

**Legal Debt Margin Calculation for Fiscal Year 2006**

Total Assessed Value	\$ 1,242,486,747
Debt Limit (8% of Total Assessed Value)	99,398,940
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	15,209,973
Total Bonded Debt	2,377,803
Less: Water Bonds Outstanding	416,000
Total Amount of Debt Applicable to Debt Limit	<u>18,003,776</u>
Legal Debt Margin	<u>\$ 81,395,164</u>

Note: Chapter 159-55 of the State of North Carolina General Statutes, as amended, provides that no government shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property subject to taxation therein without voter approval.

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

<b>Fiscal Year Ended June 30</b>	<b>(1) City Population</b>	<b>(2) County Population</b>	<b>(3) Personal Income (000's)</b>	<b>(4) Per Capita Personal Income</b>	<b>(5) School Enrollment</b>	<b>(6) County Unemployment Rate</b>	<b>(7) State Unemployment Rate</b>	<b>(8) U.S. Unemployment Rate</b>
1997	9,532	81,133	\$ 1,897,051	\$ 23,382	10,898	2.4%	3.4%	4.8%
1998	9,628	83,785	2,007,321	23,958	11,020	2.9%	3.4%	4.5%
1999	9,538	85,933	2,214,322	25,768	11,251	1.8%	3.0%	4.5%
2000	9,920	87,621	2,317,400	26,448	11,215	2.1%	3.6%	4.2%
2001	10,430	89,649	2,490,629	27,782	11,257	3.0%	5.1%	4.5%
2002	11,252	91,544	2,665,395	29,116	11,423	4.0%	6.8%	5.9%
2003	11,530	92,988	2,817,908	30,304	11,574	3.8%	6.7%	6.2%
2004	11,682	94,496	2,920,871	30,910	11,918	3.1%	5.4%	5.7%
2005	12,106	96,124	3,030,309	31,525	12,292	4.5%	5.3%	5.0%
2006	12,237	97,792	\$ 3,144,599	\$ 32,156	12,446	3.4%	4.6%	4.8%

Data Sources:

- (1) North Carolina State Planning Office.
- (2) North Carolina State Planning Office.
- (3) Hendersonville Chamber of Commerce
- (4) Hendersonville Chamber of Commerce
- (5) Henderson County Public Schools
- (6) Employment Security Commission
- (7) Employment Security Commission
- (8) Employment Security Commission

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Henderson County Schools	1,683	1	13.75%	1,100	2	8.99%
Pardee Hospital	1,360	2	11.11%	900	3	7.43%
Park Ridge Hospital	766	3	6.26%	450	9	4.72%
Wilsonart International	740	4	6.05%	750	4	7.87%
General Electric Lighthing	725	5	5.92%	1,100	1	11.54%
Arvin-Meritor	700	6	5.72%	550	6	5.77%
Wal-Mart	675	7	5.52%			
Ingles	653	8	5.34%			
Henderson County Government	650	9	5.31%	550	7	5.77%
Continental Tevis	522	10	4.27%			
Kimberly-Clark Corporation	-			500	8	5.25%
Eaton Corporation	-			435	10	4.56%
Steelcase, Incorporated	-			680	5	7.13%
				-		
				-		
<b>Totals</b>	<b>8,474</b>		<b>69.25%</b>	<b>7,015</b>		<b>69.04%</b>

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
General Government:										
Administration	3	6	6	6	6	4	4	4	3	3
Finance	8	6	6	6	4	4	4	4	12	12
Support Services	2	2	2	3	3	4	8	10	10	10
Public Safety:										
Police	46	46	46	46	45	45	45	45	45	45
Fire	17	17	17	17	17	17	17	17	17	17
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	3	3
Administration	6	5	4	4	4	4	4	4	3	3
Streets & Highways	7	7	7	7	7	7	7	7	7	7
Traffic Engineer	3	3	2	2	2	2	2	2	2	2
Parks & Drainage	8	8	8	8	8	8	8	8	8	8
Subtotal	33	32	30	30	30	30	30	30	29	29
Business-Type Activities										
Water and Sewer Fund	74	73	77	76	76	78	78	74	66	66
Solid Waste Fund	11	11	11	10	10	10	10	10	10	10
Total	194	193	195	194	191	192	196	194	192	192

Source: Annual Departmental Budgets

Note: Support Services consist of Engineering, IT, Planning and Zoning

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Building Permits Issued:										
Residential	184	176	368	378	203	307	348	141	244	235
Commercial	78	115	110	100	240	192	95	101	111	99
Public Safety - Police										
Physical Arrests	2,068	1,516	1,812	2,501	2,379	1,833	1,690	1,979	2,173	2,177
Traffic Violations	1,210	1,280	2,297	2,342	2,013	2,346	2,233	2,861	2,628	2,685
Parking Violations	3,195	2,618	3,039	2,530	3,445	4,362	3,799	3,854	2,353	2,313
Public Safety - Fire										
Number of Fire Calls Answered	1,198	1,199	1,233	1,205	1,122	1,223	1,377	1,478	1,629	1,617
Inspections Conducted	506	483	980	1,080	152	219	205	509	601	620
Water										
Number of Service Connections	18,140	18,520	19,120	19,158	19,688	20,492	21,196	21,832	23,105	23,650
Average Daily Production in Gallons	5,938,000	6,730,000	7,157,000	6,868,000	6,968,000	7,122,000	7,262,000	7,239,000	6,455,000	6,956,000
Sewer										
Number of Service Connections	5,225	5,532	5,417	5,483	5,793	6,333	6,647	6,846	7,608	7,700
Average Daily Treatment in Gallons	2,002,000	3,020,000	2,820,000	2,632,000	2,933,000	2,502,000	3,370,000	3,250,000	3,039,000	2,632,000
Solid Waste										
Refuse Collected (Tons per Day)	5.7	5.4	5.6	5.6	6.0	5.9	5.9	6.4	6.2	6.2
Cable TV Subscribers										
City	-	-	-	-	2,586	2,494	2,167	2,019	2,024	3,639
County	-	-	-	-	18,127	17,646	15,483	14,283	13,669	11,639
Flat Rock	-	-	-	-	1,602	1,667	1,619	1,590	1,575	1,288
Fletcher	-	-	-	-	2,297	2,263	2,200	2,001	1,799	1,409
Laurel Park	-	-	-	-	961	960	898	895	898	881
Mills River	-	-	-	-	-	-	-	-	670	1,046

Sources: Various City of Hendersonville Deaprtments

Note: Cable TV subscribers were reconciled by Mediacom in 2006.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CAPITAL ASSET STATISTICS BY FUNCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hendersonville										
Public Facilities/Buildings	4	4	4	4	4	4	4	4	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Substations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	30	30	30	30	30	30	30	30	30	30
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	6	6	6	6	6	6	6	6	6	6
Public Service										
Streets (in Miles)	55.0	55.0	56.9	57.4	58.7	58.7	59.1	59.1	60.2	62.9
Street Lights	1,475	1,952	1,984	1,990	1,991	1,991	1,991	1,994	2,015	2,017
Parks and Recreation										
Parks Acreage	98	99	99	99	99	99	99	99	99	99
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	6	7	7	7	7	7	7	7	7	7
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	4	4	4	4	3	3	3	3	3	3
Water										
Water Mains (Miles)	305	406	525	525	528	549	556	574	585	590
Fire Hydrants	1,450	1,578	1,595	1,595	1,892	2,001	2,024	2,062	2,120	2,135
Sewer										
Sanitary Sewers (Miles)	97	100	110	110	117	131	135	148	153	154
Storm Sewers (Miles)	75	75	75	75	75	75	80	80	80	80
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	3	3	3	3	3	3

Sources: Various City of Hendersonville departments.

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

