

**CITY OF HENDERSONVILLE**

**NORTH CAROLINA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the fiscal year ended**

**June 30, 2007**

**Prepared by:**

**Department of Finance**



CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007

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**INTRODUCTORY  
SECTION**



**LETTER OF TRANSMITTAL**



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 28, 2007

**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, 2007.

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, 2007, 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, 2007, 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.

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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, 2007, the North Carolina Office of State Planning estimated the city's population to be 12,499.

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 60,000 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 \$20.80. 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 69.0 percent of total general fund expenditures as of June 30, 2007. 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, 2007, totaled \$2,276,112.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (550,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2007, totaled \$3,416,531.

**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 (63) 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 (23) percent of the City's investments are with the First Citizens Capital Management Group and the remaining thirteen (14) 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, 2007, the Cash Portfolio's average annual return equaled 5.26 percent as compared to 4.12 percent for the prior year. The average yield on 6 month certificates of deposit for the same time period was 5.01 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, 2007, the term portfolio's average annual total return equaled 5.08 percent as compared to 3.08 percent for the prior year.

During Fiscal Year 2007 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 \$1,780,273. Interest income increased 15.2% over the prior year due to the incremental rise in interest rates initiated 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.

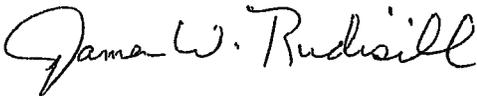
### **Awards and Acknowledgments**

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, 2006. This was the nineteenth 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,



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, 2006

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.

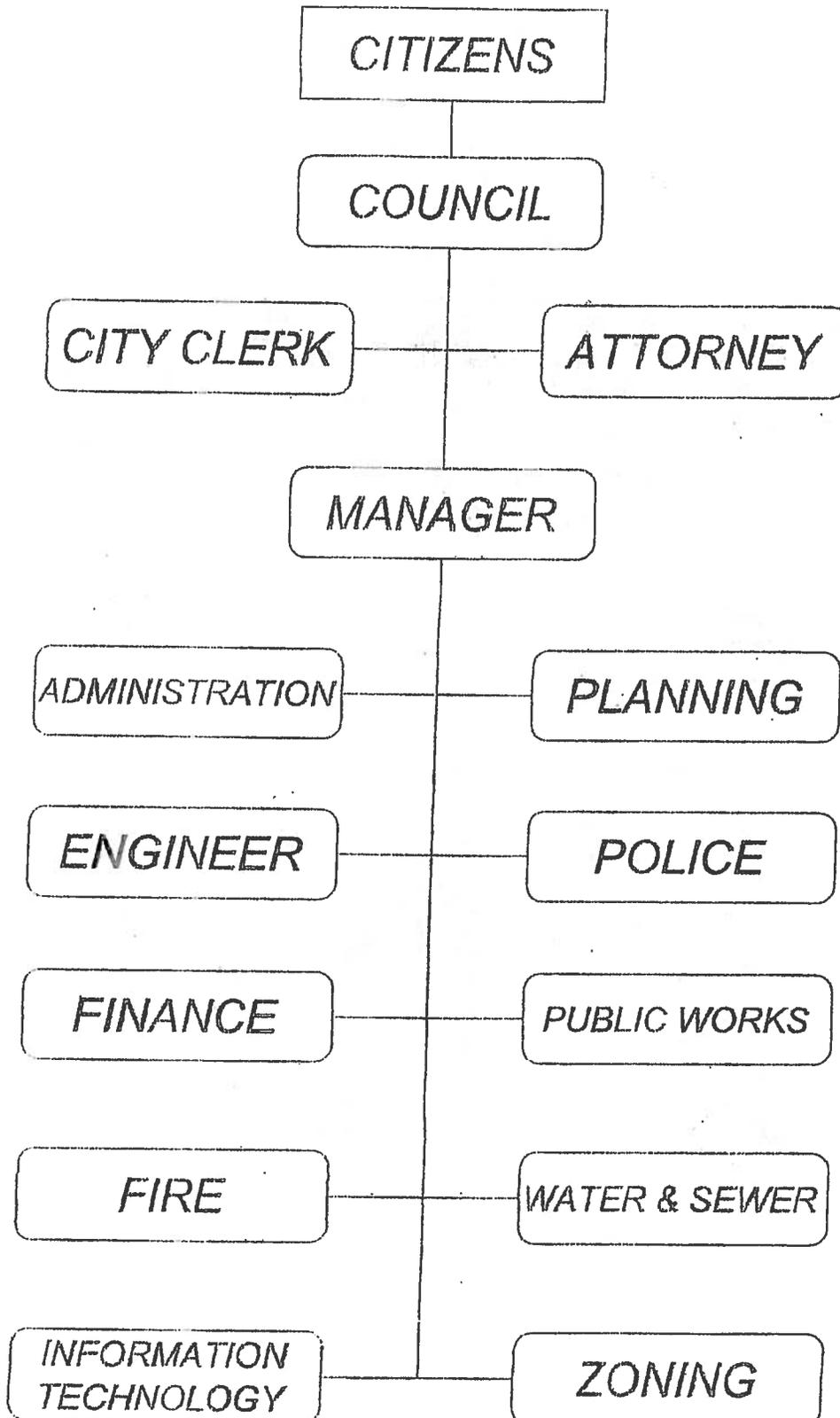


President

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

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## 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, 2007, 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 Board of Alcoholic Control 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, 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, 2007, and the respective changes in financial position and cash flows, where applicable, 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 27, 2007 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 on pages 51 and 52 are not a required part of the basic financial statements but are supplementary information required 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 opinions on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The 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 27, 2007

*Carroll & 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, 2007. 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

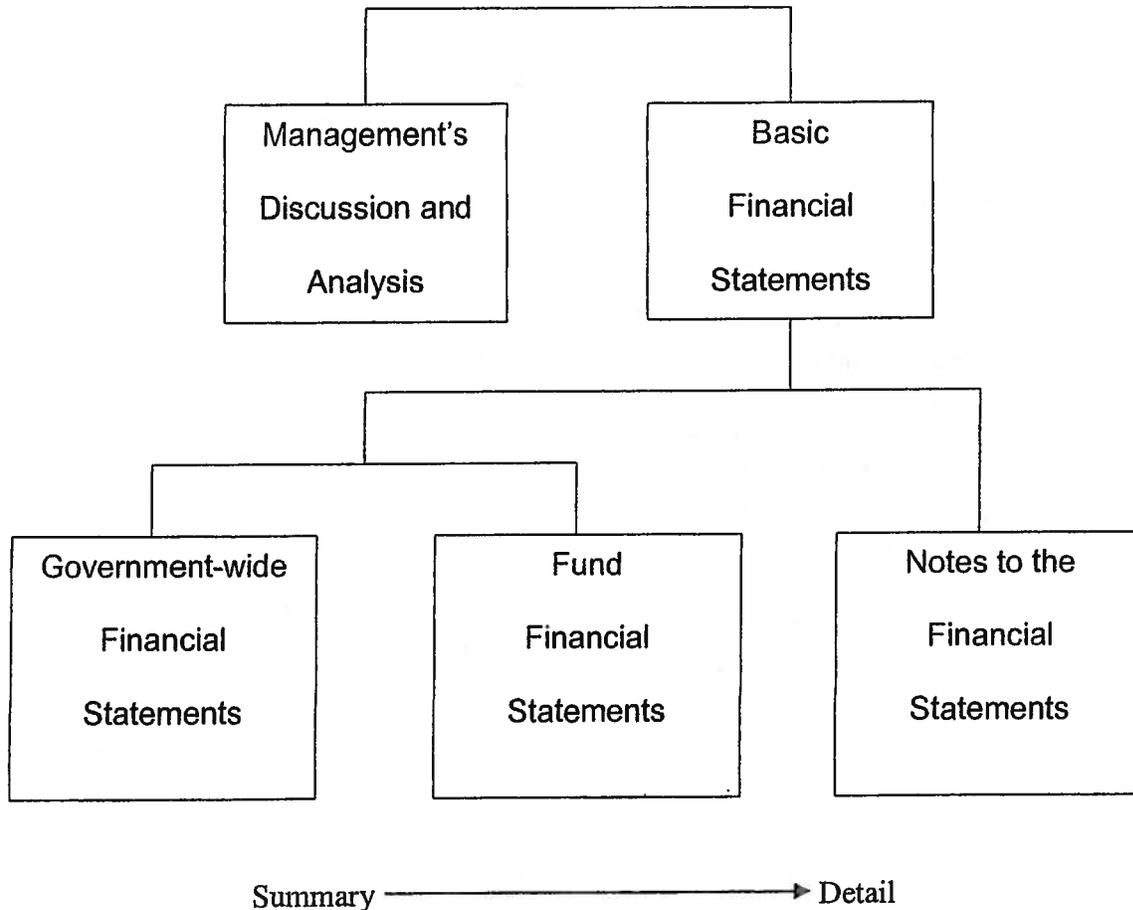
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$84,039,822 (*net assets*).
- The government's total net assets *increased* by \$6,025,247, primarily due to *increases* in the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,346,214 a *decrease* of \$1,165 in comparison with the prior year. Approximately 92 percent of this total amount, or \$10,468,239, is available for spending at the government's discretion, i.e., (**unreserved fund balance**).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,949,231 or 69 percent of total general fund expenditures for the fiscal year.
- The City's total debt *decreased* by \$1,766,956 or 10.0% 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



## 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 12,043,228	\$ 11,821,432	\$ 27,840,321	\$ 23,812,269	\$ 39,883,549	\$ 35,633,701
Capital assets	16,510,776	16,110,849	45,362,480	45,442,964	61,873,256	61,553,813
Total assets	28,554,004	27,932,281	73,202,801	69,255,233	101,756,805	97,187,514
Long-term liabilities outstanding	3,983,152	4,048,416	11,088,633	12,147,486	15,071,785	16,195,902
Other liabilities	1,004,245	1,009,125	1,640,953	1,967,912	2,645,198	2,977,037
Total liabilities	4,987,397	5,057,541	12,729,586	14,115,398	17,716,983	19,172,939
Net assets:						
Invested in capital assets, net of related debt	12,837,442	12,114,182	33,214,994	31,851,856	46,052,436	43,966,038
Restricted	56,300	319,871			56,300	319,871
Unrestricted	10,672,865	10,440,777	27,258,221	23,287,979	37,931,086	33,728,756
Total net assets	\$ 23,566,607	\$ 22,874,830	\$ 60,473,215	\$ 55,139,835	\$ 84,039,822	\$ 78,014,665

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 \$84,039,822 as of June 30, 2007. Hendersonville's net assets *increased* by \$6,025,247 for the fiscal year ended June 30, 2007. However, the largest portion (54.8%) 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 (0.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$37,931,086 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 98.11 % as compared to the statewide average of 97.56%
- Increased sales tax revenues of approximately \$290,373 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	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 329,845	\$ 326,216	\$ 13,643,010	\$ 13,093,971	\$ 13,972,855	\$ 13,420,187
Operating grants & contributions	410,529	509,555	-	-	410,529	509,555
Capital grants and contributions	162,159	726,529	-	660,761	162,159	1,387,290
General revenues:						
Property taxes	5,828,742	5,582,874	-	-	5,828,742	5,582,874
Other taxes	3,804,351	3,571,885	-	-	3,804,351	3,571,885
Grants & contributions not restricted to specific programs						
	110,000	107,500	-	-	110,000	107,500
Other	1,138,985	945,910	699,364	525,358	1,838,349	1,471,268
<b>Total revenues</b>	<b>11,784,611</b>	<b>11,770,469</b>	<b>14,342,374</b>	<b>14,280,090</b>	<b>26,126,985</b>	<b>26,050,559</b>
<b>Expenses:</b>						
General government	1,768,990	1,590,212	-	-	1,768,990	1,590,212
Public safety	5,248,972	4,960,503	-	-	5,248,972	4,960,503
Transportation	1,583,224	1,991,132	-	-	1,583,224	1,991,132
Parks & drainage	464,033	488,727	-	-	464,033	488,727
Environmental	-	5,000	-	-	-	5,000
Economic development	365,940	180,915	-	-	365,940	180,915
Culture and recreation	161,687	133,574	-	-	161,687	133,574
Interest on long-term debt	211,358	215,476	-	-	211,358	215,476
Water and sewer	-	-	9,349,299	8,925,895	9,349,299	8,925,895
Solid Waste	-	-	948,235	989,812	948,235	989,812
<b>Total expenses</b>	<b>9,804,204</b>	<b>9,565,529</b>	<b>10,297,534</b>	<b>9,915,707</b>	<b>20,101,738</b>	<b>19,481,246</b>
<b>Inc. in net assets before transfers</b>	<b>1,980,407</b>	<b>2,204,930</b>	<b>4,044,840</b>	<b>4,364,383</b>	<b>6,025,247</b>	<b>6,569,313</b>
<b>Transfers</b>	<b>(1,288,540)</b>	<b>(714,260)</b>	<b>1,288,540</b>	<b>714,260</b>	<b>-</b>	<b>-</b>
<b>Increase in net assets</b>	<b>691,867</b>	<b>1,490,670</b>	<b>5,333,380</b>	<b>5,078,643</b>	<b>6,025,247</b>	<b>6,569,313</b>
<b>Net assets, July 1</b>	<b>22,874,740</b>	<b>21,384,070</b>	<b>55,139,835</b>	<b>50,061,192</b>	<b>78,014,575</b>	<b>71,445,262</b>
<b>Net assets, June 30</b>	<b>\$ 23,566,607</b>	<b>\$ 22,874,740</b>	<b>\$ 60,473,215</b>	<b>\$ 55,139,835</b>	<b>\$ 84,039,822</b>	<b>\$ 78,014,575</b>

**Governmental Activities.** Governmental activities increased Hendersonville's net assets by \$691,867 thereby accounting for 11.5% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Sales and use tax revenues increase due to overall economic growth.
- Tax revenues increased due to annexation, population growth and commercial development.
- Parking revenues increased due to additional enforcement and an increase in monthly parking fees.

**Business-type Activities:** Business-type activities increased the City's net assets by \$5,333,380 accounting for 88.5% 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.
- Contribution from the General Fund for sewer improvements due to annexation.

### **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 \$6,949,231, while total fund balance reached \$8,741,714. 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 69 percent of total General Fund expenditures.

At June 30, 2007, the governmental funds of the City of Hendersonville reported a combined fund balance of \$11,346,214, a slight decrease over last year. Included in this change in fund balance are an increase in fund balance of the General Fund and a decrease in the Capital Reserve 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. The increase in the General Fund was offset by the use of capital reserve funds for the purchase of a fire truck and annexation improvements.

**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 due to economic growth and an increase in sales and service fees. Expenditures were significantly more than the prior year due to an increase in spending for street paving and major road repairs. During the year there was a \$1,070,724 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$608,028 supplemental appropriation for transportation for street paving and road repair; and
- \$350,000 supplemental appropriation for purchase of property related to street right-of-way acquisitions.

**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 \$26,813,491, and those for the Solid Waste Fund amounted to \$444,730. The total growth in net assets for both funds was \$5,338,485 and (\$5,105), 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, 2007, totals \$61,873,256 (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 \$1,534,199. Equipment acquisition accounted for 16% of the total outlay.
- Street paving, road repair and sidewalk maintenance totaled \$534,347.
- Replaced nine Police Department patrol vehicles for a total cost of \$205,807.
- Acquisition of a new Fire Department truck at a cost of \$392,179.

## City of Hendersonville's Capital Assets

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 965,960	\$ 950,061	\$ 952,804	\$ 907,898	\$ 1,918,764	\$ 1,857,959
Buildings and systems	6,388,680	6,673,431	18,539,720	19,331,470	24,928,400	26,004,901
Improvements other than buildings	722,811	695,027	23,235,296	22,883,015	23,958,107	23,578,042
Machinery and equipment	247,795	294,904	229,842	238,549	477,637	533,453
Infrastructure	6,292,755	5,980,294	-		6,292,755	5,980,294
Vehicles and motorized equipment	1,892,775	1,517,132	471,498	460,564	2,364,273	1,977,696
Construction in progress	-		1,688,218	1,621,468	1,688,218	1,621,468
<b>Total</b>	<b>\$ 16,510,776</b>	<b>\$ 16,110,849</b>	<b>\$ 45,117,378</b>	<b>\$ 45,442,964</b>	<b>\$ 61,628,154</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, 2007, Hendersonville had total bonded debt outstanding of \$2,060,000. Of this, \$990,000 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	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 990,000	\$ 1,080,000	\$ 1,070,000	\$ 1,355,000	\$ 2,060,000	\$ 2,435,000
Total	\$ 990,000	\$ 1,080,000	\$ 1,070,000	\$ 1,355,000	\$ 2,060,000	\$ 2,435,000

The City of Hendersonville's total debt decreased by \$1,766,956 or 10.0% 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 \$89,637,340. The City has \$2,100,000 bonds authorized but un-issued at June 30, 2007.

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, 2007, the City has saved approximately \$58,655.84. The City will realize a net present value savings of \$64,377.55 over the life of the loans.

Additional information regarding the City of Hendersonville's long-term debt can be found in Note B: *Liabilities* beginning on page 40 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 3.9% is well below the State average of 4.9%.
- 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, 2008**

**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 11.6 percent. The City will use these increases in revenues to finance five additional positions in the Police Department and two new positions in Public Works.

Budgeted expenditures in the General Fund are expected to rise 5.6%, which represents an increase of \$677,590. 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 seven new employees in the General Fund. Capital outlay appropriations will increase substantially due to costs associated with land acquisition, Public Works Department capital outlay and six police patrol vehicles.

**Business – type Activities:** The water rates in the City will increase by 5% to 7% depending upon the customer classification and amount of water consumption. The majority of City residential customers will see a modest 5% increase. Total water and sewer appropriations will increase by 53% with the majority of the increase being attributable to the renovation of the City's water treatment facilities. Total operating costs will decrease 20.5% due to an increase in the amount of funds budgeted for contracted services. Personnel costs increased a modest 2.2%.

### **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\_City07.*



**BASIC FINANCIAL  
STATEMENTS**



CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

Exhibit I

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 8,727,588	\$ 19,825,624	\$ 28,553,212	\$ 669,057
Investments	2,246,739	5,931,976	8,178,715	
Receivables (net)				
Taxes	137,834		137,834	
Accounts	65,469	1,506,994	1,572,463	416
Grants	131,825		131,825	
Shared taxes	639,852		639,852	
Refundable taxes	63,921	107,661	171,582	
Due from component unit	30,000		30,000	
Inventories		468,066	468,066	625,417
Prepaid expenses				2,393
Total current assets	<u>\$ 12,043,228</u>	<u>\$ 27,840,321</u>	<u>\$ 39,883,549</u>	<u>\$ 1,297,283</u>
<b>Capital assets (Note 1):</b>				
Land, non-depreciable improvements and construction in progress	\$ 965,960	\$ 2,641,022	\$ 3,606,982	\$ 263,794
Other capital assets, net of depreciation	15,544,816	42,721,458	58,266,274	570,971
Total capital assets	<u>\$ 16,510,776</u>	<u>\$ 45,362,480</u>	<u>\$ 61,873,256</u>	<u>\$ 834,765</u>
Total assets	<u>\$ 28,554,004</u>	<u>\$ 73,202,801</u>	<u>\$ 101,756,805</u>	<u>\$ 2,132,048</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 412,655	\$ 159,489	\$ 572,144	\$ 237,678
Salaries payable	146,525	77,695	224,220	
Accrued interest payable	31,484	62,305	93,789	
Customer deposits		129,875	129,875	
Due to primary government				30,000
Long-term liabilities due within one year	413,581	1,211,589	1,625,170	
Total current liabilities	<u>\$ 1,004,245</u>	<u>\$ 1,640,953</u>	<u>\$ 2,645,198</u>	<u>\$ 267,678</u>
Long-term liabilities due in more than one year	<u>\$ 3,983,152</u>	<u>\$ 11,088,633</u>	<u>\$ 15,071,785</u>	
Total liabilities	<u>\$ 4,987,397</u>	<u>\$ 12,729,586</u>	<u>\$ 17,716,983</u>	<u>\$ 267,678</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	\$ 12,837,442	\$ 33,214,994	\$ 46,052,436	\$ 834,765
Restricted for:				
Transportation	56,300		56,300	
Capital improvements				30,629
Working capital				138,991
Unrestricted	10,672,865	27,258,221	37,931,086	859,985
Total net assets	<u>\$ 23,566,607</u>	<u>\$ 60,473,215</u>	<u>\$ 84,039,822</u>	<u>\$ 1,864,370</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, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental Activities:				
General government	\$ 1,768,990			
Public safety	5,248,972	\$ 133,358	\$ 3,976	\$ 23,395
Transportation	1,583,224	73,357	406,553	
Parks and drainage	464,033	21,350		
Economic and physical development	365,940			138,764
Cultural and recreational	161,687	101,780		
Interest on long-term debt	211,358			
Total governmental activities (Note 1)	\$ 9,804,204	\$ 329,845	\$ 410,529	\$ 162,159
Business-type activities:				
Water and Sewer	\$ 9,349,299	\$ 13,112,540		
Solid Waste	948,235	530,470		
Total business-type activities	\$ 10,297,534	\$ 13,643,010		
Total primary government	\$ 20,101,738	\$ 13,972,855	\$ 410,529	\$ 162,159
Component Unit:				
ABC Board	\$ 3,564,676	\$ 3,638,264		
Total component unit	\$ 3,564,676	\$ 3,638,264		

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, 2007

Exhibit 2

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			<u>Component Unit ABC Board</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
\$ (1,768,990)		\$ (1,768,990)	
(5,088,243)		(5,088,243)	
(1,103,314)		(1,103,314)	
(442,683)		(442,683)	
(227,176)		(227,176)	
(59,907)		(59,907)	
(211,358)		(211,358)	
<u>\$ (8,901,671)</u>		<u>\$ (8,901,671)</u>	
	\$ 3,763,241	\$ 3,763,241	
	(417,765)	(417,765)	
	<u>\$ 3,345,476</u>	<u>\$ 3,345,476</u>	
<u>\$ (8,901,671)</u>	<u>\$ 3,345,476</u>	<u>\$ (5,556,195)</u>	
			<u>\$ 73,588</u>
			<u>\$ 73,588</u>
\$ 5,828,742		\$ 5,828,742	
3,804,351		3,804,351	
110,000		110,000	
1,080,909	\$ 699,364	1,780,273	\$ 23,674
58,076		58,076	
(1,288,540)	1,288,540	0	
<u>\$ 691,867</u>	<u>\$ 5,333,380</u>	<u>\$ 6,025,247</u>	<u>97,262</u>
<u>22,874,740</u>	<u>55,139,835</u>	<u>78,014,575</u>	<u>1,767,108</u>
<u>\$ 23,566,607</u>	<u>\$ 60,473,215</u>	<u>\$ 84,039,822</u>	<u>\$ 1,864,370</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, 2007

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund		
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,371,507	\$ 29,373	\$ 326,708	\$ 8,727,588
Investments		2,246,739		2,246,739
Receivables (net)				
Taxes	126,898		10,936	137,834
Accounts	65,469			65,469
Grants			131,825	131,825
Shared taxes	639,852			639,852
Refundable taxes	62,198		1,723	63,921
Due from component unit	30,000			30,000
	<u>\$ 9,295,924</u>	<u>\$ 2,276,112</u>	<u>\$ 471,192</u>	<u>\$ 12,043,228</u>
<b>Total assets</b>				
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 280,787		\$ 131,868	\$ 412,655
Salaries payable	146,525			146,525
Deferred revenues	126,898		10,936	137,834
	<u>\$ 554,210</u>	<u></u>	<u>\$ 142,804</u>	<u>\$ 697,014</u>
<b>Total liabilities</b>				
<b>Fund balances:</b>				
Reserved by State statute	\$ 737,519		\$ 2,432	\$ 739,951
Reserved for encumbrances	81,724			81,724
Reserved for streets-Powell Bill	56,300			56,300
Unreserved, designated subsequent year's budget	916,940			916,940
Special Revenue funds		\$ 1,113,900	48,536	1,162,436
Unreserved	6,949,231	1,162,212		8,111,443
Unreserved, reported in:				
Special Revenue funds			8,304	8,304
Capital Projects Fund			269,116	269,116
	<u>\$ 8,741,714</u>	<u>\$ 2,276,112</u>	<u>\$ 328,388</u>	<u>\$ 11,346,214</u>
<b>Total fund balances</b>				
<b>Total liabilities and fund balances</b>				
	<u>\$ 9,295,924</u>	<u>\$ 2,276,112</u>	<u>\$ 471,192</u>	<u>\$ 12,043,228</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, 2007

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	\$ 16,510,776
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	137,834
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(31,484)
Bonds payable	(990,000)
Notes payable	(2,683,334)
Compensated absences payable	(451,232)
Net pension benefit-Special Separation Allowance	(272,167)
Total adjusting items	\$ 12,220,393
Total fund balances	<u>11,346,214</u>
Net assets of governmental activities	<u>\$ 23,566,607</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,622,415		\$ 180,901	\$ 5,803,316
Other taxes and licenses	76,478			76,478
Unrestricted intergovernmental	3,738,657			3,738,657
Restricted intergovernmental	472,435		185,658	658,093
Permits and fees	143,643			143,643
Sales and services	200,012			200,012
Investment earnings	919,238	\$ 142,779	18,892	1,080,909
Miscellaneous	66,171			66,171
<b>Total revenues</b>	<b>\$ 11,239,049</b>	<b>\$ 142,779</b>	<b>\$ 385,451</b>	<b>\$ 11,767,279</b>
<b>Expenditures:</b>				
General government	\$ 1,695,560			\$ 1,695,560
Public safety	5,426,100		\$ 23,395	5,449,495
Transportation	1,758,683		42,051	1,800,734
Parks and drainage	469,048			469,048
Economic and physical development			365,940	365,940
Cultural and recreational	161,687			161,687
<b>Debt service:</b>				
Principal	323,333			323,333
Interest and fees	214,108			214,108
<b>Total expenditures</b>	<b>\$ 10,048,519</b>	<b>\$ 0</b>	<b>\$ 431,386</b>	<b>\$ 10,479,905</b>
<b>Revenues over (under) expenditures</b>	<b>\$ 1,190,530</b>	<b>\$ 142,779</b>	<b>\$ (45,935)</b>	<b>\$ 1,287,374</b>
<b>Other financing sources (uses):</b>				
<b>Transfers in (out) :</b>				
Enterprise funds	\$ (1,288,540)			\$ (1,288,540)
General Fund / Capital Reserve Fund	783,644	\$ (783,644)		
<b>Total other financing sources (uses)</b>	<b>\$ (504,896)</b>	<b>\$ (783,644)</b>	<b>\$ 0</b>	<b>\$ (1,288,540)</b>
<b>Net change in fund balances</b>	<b>\$ 685,634</b>	<b>\$ (640,865)</b>	<b>\$ (45,935)</b>	<b>\$ (1,166)</b>
<b>Fund balances:</b>				
Beginning of year, July 1	8,056,080	2,916,977	374,323	11,347,380
End of year, June 30	<u>\$ 8,741,714</u>	<u>\$ 2,276,112</u>	<u>\$ 328,388</u>	<u>\$ 11,346,214</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 1,361,822
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(953,800)</u>
The amount by which capital outlays exceeded depreciation in the current period was	\$ 408,022
The net effect of various miscellaneous transactions involving capital assets(i.e. sales, trade-ins, and disposals) is to decrease net assets	<u>\$ (8,094)</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>\$ 25,426</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>323,333</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	\$ (16,510)
Change in net pension obligation	(41,894)
Change in accrued interest payable	<u>2,750</u>
Total adjusting items	\$ 693,033
Net changes in fund balances - total governmental funds	<u>(1,166)</u>
Total changes in net assets of governmental activities	<u>\$ 691,867</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, 2007

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,288,000	\$ 5,288,000	\$ 5,622,415	\$ 334,415
Other taxes and licenses	70,000	70,000	76,478	6,478
Unrestricted intergovernmental	3,283,500	3,283,500	3,738,657	455,157
Restricted intergovernmental	457,210	457,210	472,435	15,225
Permits and fees	117,550	117,550	143,643	26,093
Sales and services	130,500	130,500	200,012	69,512
Investment earnings	140,000	140,000	919,238	779,238
Miscellaneous	22,300	22,300	66,171	43,871
<b>Total revenues</b>	<b>\$ 9,509,060</b>	<b>\$ 9,509,060</b>	<b>\$ 11,239,049</b>	<b>\$ 1,729,989</b>
<b>Expenditures:</b>				
General government	\$ 1,812,921	\$ 2,191,975	\$ 1,695,560	\$ 496,415
Public safety	5,769,710	5,802,422	5,426,100	376,322
Transportation	1,553,790	2,185,248	1,758,683	426,565
Parks and drainage	522,170	528,670	469,048	59,622
Cultural and recreational	167,130	188,130	161,687	26,443
Debt service:				
Principal	372,390	372,390	323,333	49,057
Interest and fees	217,330	217,330	214,108	3,222
<b>Total expenditures</b>	<b>\$ 10,415,441</b>	<b>\$ 11,486,165</b>	<b>\$ 10,048,519</b>	<b>\$ 1,437,646</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (906,381)</b>	<b>\$ (1,977,105)</b>	<b>\$ 1,190,530</b>	<b>\$ 3,167,635</b>
<b>Other financing sources (uses):</b>				
Proceeds of debt	\$ 400,000			
Transfers in (out) :				
Enterprise funds	(1,288,540)	\$ (1,288,540)	\$ (1,288,540)	
Capital Reserve Fund (net)	1,127,160	783,644	783,644	
General Fund (net)				
Contingencies budgeted (expenditures)	(167,040)	(167,040)		\$ 167,040
Fund balance appropriated	834,801	2,649,041		(2,649,041)
<b>Total other financing sources (uses)</b>	<b>\$ 906,381</b>	<b>\$ 1,977,105</b>	<b>\$ (504,896)</b>	<b>\$ (2,482,001)</b>
<b>Revenues and other financing sources over (under) expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 685,634</b>	<b>\$ 685,634</b>
<b>Fund balances:</b>				
Beginning of year, July 1			8,056,080	
End of year, June 30			<u>\$ 8,741,714</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, 2007

Exhibit 5

Special Revenue Fund - Capital Reserve Fund			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Final	Actual	
\$ 10,000	\$ 10,000	\$ 142,779	\$ 132,779
\$ 10,000	\$ 10,000	\$ 142,779	\$ 132,779
\$ 10,000	\$ 10,000	\$ 142,779	\$ 132,779
\$ (1,127,160)	\$ (783,644)	\$ (783,644)	
1,117,160	773,644		\$ (773,644)
\$ (10,000)	\$ (10,000)	\$ (783,644)	\$ (773,644)
\$ 0	\$ 0	\$ (640,865)	\$ (640,865)
		2,916,977	
		\$ 2,276,112	

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, 2007

Exhibit 6

Business Type Activities - Enterprise Funds			
	Solid Waste Fund	Water and Sewer Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 421,349	\$ 19,404,275	\$ 19,825,624
Investments		5,931,976	5,931,976
Accounts receivable (net)	65,200	1,441,794	1,506,994
Sales taxes refundable	2,304	105,357	107,661
Inventories		468,066	468,066
<b>Total current assets</b>	<b>\$ 488,853</b>	<b>\$ 27,351,468</b>	<b>\$ 27,840,321</b>
Noncurrent assets:			
Land and other non-depreciable assets		\$ 2,641,022	\$ 2,641,022
Other capital assets, net of depreciation	\$ 245,102	42,476,356	42,721,458
<b>Capital assets (net)</b>	<b>\$ 245,102</b>	<b>\$ 45,117,378</b>	<b>\$ 45,362,480</b>
<b>Total noncurrent assets</b>	<b>\$ 245,102</b>	<b>\$ 45,117,378</b>	<b>\$ 45,362,480</b>
<b>Total Assets</b>	<b>\$ 733,955</b>	<b>\$ 72,468,846</b>	<b>\$ 73,202,801</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 21,241	\$ 138,248	\$ 159,489
Salaries payable	7,707	69,988	77,695
Customer deposits		129,875	129,875
Accrued bond and note interest		62,305	62,305
Compensated absences-current portion	3,035	27,511	30,546
Bonds payable-current maturities (net)		265,678	265,678
Notes payable-current portion	21,377	893,988	915,365
<b>Total current liabilities</b>	<b>\$ 53,360</b>	<b>\$ 1,587,593</b>	<b>\$ 1,640,953</b>
Noncurrent liabilities:			
Compensated absences-noncurrent portion	\$ 12,140	\$ 110,050	\$ 122,190
Bonds payable-noncurrent portion (net)		761,446	761,446
Notes payable-noncurrent portion	22,077	10,182,920	10,204,997
<b>Total noncurrent liabilities</b>	<b>\$ 34,217</b>	<b>\$ 11,054,416</b>	<b>\$ 11,088,633</b>
<b>Total Liabilities</b>	<b>\$ 87,577</b>	<b>\$ 12,642,009</b>	<b>\$ 12,729,586</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 201,648	\$ 33,013,346	\$ 33,214,994
Unrestricted	444,730	26,813,491	27,258,221
<b>Total Net Assets</b>	<b>\$ 646,378</b>	<b>\$ 59,826,837</b>	<b>\$ 60,473,215</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, 2007

Exhibit 7

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 528,083	\$ 11,695,031	\$ 12,223,114
Other operating revenues	2,387	1,417,509	1,419,896
<b>Total operating revenues</b>	<b>\$ 530,470</b>	<b>\$ 13,112,540</b>	<b>\$ 13,643,010</b>
Operating expenses:			
Administration		\$ 752,967	\$ 752,967
Business operations		834,317	834,317
Water treatment and distribution		3,865,005	3,865,005
Waste collection and treatment	\$ 904,728	1,806,477	2,711,205
Depreciation	41,589	1,639,843	1,681,432
<b>Total operating expenses</b>	<b>\$ 946,317</b>	<b>\$ 8,898,609</b>	<b>\$ 9,844,926</b>
<b>Operating income (loss)</b>	<b>\$ (415,847)</b>	<b>\$ 4,213,931</b>	<b>\$ 3,798,084</b>
Non-operating revenues (expenses):			
Interest earned on investments		\$ 699,364	\$ 699,364
Interest on long-term debt	\$ (1,918)	(450,690)	(452,608)
<b>Total non-operating revenues (net)</b>	<b>\$ (1,918)</b>	<b>\$ 248,674</b>	<b>\$ 246,756</b>
Income (loss) before contributions and transfers:			
Transfer from General Fund	\$ (417,765)	\$ 4,462,605	\$ 4,044,840
	\$ 412,660	875,880	1,288,540
<b>Change in net assets</b>	<b>\$ (5,105)</b>	<b>\$ 5,338,485</b>	<b>\$ 5,333,380</b>
<b>Total net assets - beginning, July 1</b>	<b>651,483</b>	<b>54,488,352</b>	<b>55,139,835</b>
<b>Total net assets - ending, June 30</b>	<b>\$ 646,378</b>	<b>\$ 59,826,837</b>	<b>\$ 60,473,215</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, 2007

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 537,411	\$ 11,599,443	\$ 12,136,854
Cash paid for goods and services	(522,505)	(3,808,109)	(4,330,614)
Cash paid to employees for services	(390,425)	(3,366,995)	(3,757,420)
Customer deposits received		79,496	79,496
Customer deposits returned		(64,046)	(64,046)
Other operating revenue	2,387	1,417,409	1,419,796
Net cash provided (used) by operating activities	\$ (373,132)	\$ 5,857,198	\$ 5,484,066
<b>Cash flows from noncapital and financing related activity:</b>			
Operating subsidy-General Fund	\$ 412,660	\$ 875,880	1,288,540
Net cash provided by noncapital and related financing activity	\$ 412,660	\$ 875,880	\$ 1,288,540
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets		\$ (1,600,949)	\$ (1,600,949)
Sale of capital assets		100	100
Principal paid on bonds		(285,000)	(285,000)
Principal paid on notes	\$ (20,698)	(1,152,246)	(1,172,944)
Interest on bonds and notes	(1,918)	(446,048)	(447,966)
Net cash provided (used) by capital and related financing activities	\$ (22,616)	\$ (3,484,143)	\$ (3,506,759)
<b>Cash flows from investing activities:</b>			
Proceeds from sale and maturities of investments		\$ 2,163,250	\$ 2,163,250
Purchases of investments		(2,387,674)	(2,387,674)
Interest on investments	\$ 0	699,364	699,364
Net cash provided (used) by investing activities	\$ 0	\$ 474,940	\$ 474,940
Net increase (decrease) in cash and cash equivalents	\$ 16,912	\$ 3,723,875	\$ 3,740,787
<b>Cash and cash equivalents:</b>			
Balances - beginning of year	404,437	15,680,400	16,084,837
Balances - end of year	\$ 421,349	\$ 19,404,275	\$ 19,825,624

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, 2007

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)	\$ (415,847)	\$ 4,213,931	\$ 3,798,084
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	\$ 41,589	\$ 1,639,843	\$ 1,681,432
Increase (decrease) in allowance for uncollectible accounts	18,237	(29,014)	(10,777)
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(8,912)	5,574	(3,338)
Refundable taxes receivable	4,187	(8,463)	(4,276)
Inventory		(62,528)	(62,528)
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	(12,389)	33,315	20,926
Salaries payable	206	11,936	12,142
Customer deposits		15,450	15,450
Accrued interest on bonds and notes		(9,681)	(9,681)
Compensated absences payable	(203)	17,045	16,842
(Decrease) in payables for capital expenditures		29,790	29,790
Total adjustments	\$ 42,715	\$ 1,643,267	\$ 1,685,982
Net cash provided (used) by operating activities	\$ (373,132)	\$ 5,857,198	\$ 5,484,066

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, 2007

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**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, 2007

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**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. 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 five nonmajor Special Revenue Funds:

1. **Downtown Tax District Fund** was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. **Seventh Avenue Tax District Fund** was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. **Governor's Highway Safety Program Grant Fund** was established to administer a federal grant which provided funds for to purchase a vehicle for the Police Department. This fund adopts a multi-year project budget.
4. **Bicycle and Pedestrian Planning Grant Fund** was established to administer a federal grant to pay planning for future bicycle paths and pedestrian walkways. This fund adopts a multi-year project budget.
5. **Elkamet Infrastructure Grant Fund** was established to administer a state grant to assist in the costs of water and sewer infrastructure improvements to recruit a new industrial employer into the area. This fund adopts a multi-year project budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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**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 one capital projects fund:

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.

**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 had 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 was 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 received yearly contributions from the North Carolina Department of Insurance. It was not a responsibility of the City, and the City did not control its board of trustees. During the year, the Board of Trustees selected a different custodian.

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.

**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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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**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, 2006 through February, 2007 apply to the fiscal year ended June 30, 2007.

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 2007-2008 fiscal year and are not shown as receivables at June 30, 2007. 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, 2007, because they are intended to finance the City's operations during the 2007-2008 fiscal year.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**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 8, 2006. 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, 2007, which includes all supplemental appropriations enacted during the year.

**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. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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**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.

**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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

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**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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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**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.

**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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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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 2007-2008 budget ordinance.

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

**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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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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, 2007, the City's deposits had a carrying amount of \$5,333,155 and a bank balance of \$4,650,868. At June 30, 2007 the City's petty cash fund totaled \$2,575.

Of the bank balance at June 30, 2007, \$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, 2007, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2007, the ABC Board's deposits had a carrying amount of \$665,357 and a bank balance of \$649,144. Federal Depository Insurance covered \$100,000 of the bank balance. The remainder is collateralized under the Pooling Method.

**Investments:**

As of June 30, 2007, the City had the following investments and maturities:

	Fair Value	Less than 6 months	6-12 months	1-3 years
US Government Agencies	\$ 8,178,715	\$ 1,440,945	\$ 202,831	\$6,534,939
NC Capital Management Trust -Cash Portfolio	<u>23,217,482</u>	<u>23,217,482</u>		
Totals	<u>\$31,396,197</u>	<u>\$24,658,427</u>	<u>\$202,831</u>	<u>\$6,534,939</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, 2007. 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. The only funds invested in the Term portfolio belonged to the Firemen's Relief Fund, which was closed out during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**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 (2%) FHLMC (81%) and FNMA (17%.)

**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.

**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	\$ 112,255
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 3,584
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 157
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 37,303
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	\$ 35,482

**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)	\$ 126,898
Taxes receivable (Special Revenue Funds)	<u>10,936</u>
Totals	<u>\$ 137,834</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

**Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2007 was as follows:

**Governmental activities:**

Capital Assets Not being Depreciated:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Land	\$ 950,061	\$ 15,899		\$ 965,960
Capital assets being depreciated:				
Buildings	\$ 7,885,860			\$ 7,885,860
Other improvements	2,378,265	\$ 96,584		2,474,849
Equipment	1,075,376	26,862		1,102,239
Vehicles	2,971,150	639,593	\$ 95,658	3,515,085
Infrastructure	<u>8,706,149</u>	<u>582,883</u>		<u>9,289,032</u>
Totals	\$ 23,016,800	\$ 1,345,922	\$ 95,658	\$ 24,267,065
Less accumulated depreciation for:				
Capital Assets being depreciated:				
Buildings	\$ 1,212,429	\$ 284,751		\$ 1,497,180
Other Improvements	1,683,238	68,800		1,752,038
Equipment	780,472	73,972		854,444
Vehicles	1,454,016	255,855	\$ 87,561	1,622,310
Infrastructure	<u>2,725,855</u>	<u>270,422</u>		<u>2,996,277</u>
Totals	\$ 7,856,010	\$ 953,800	\$ 87,561	\$ 8,722,249
Assets being depreciated, net	\$ 15,160,790			\$ 15,544,816
Governmental-type capital assets, net	<u>\$ 16,110,851</u>			<u>\$ 16,510,776</u>

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

General Government	\$ 122,713
Public Safety	370,290
Transportation	371,703
Parks	89,094
Total depreciation expense	<u>\$ 953,800</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

**Business-type activities:**

	<u>Balance June 30, 2006</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2007</u>
<b>Solid Waste Fund:</b>				
Capital assets being depreciated:				
Vehicles	\$ 652,298	_____	_____	\$ 652,298
Less accumulated depreciation for:				
Vehicles	\$ 365,607	\$ 41,589	_____	\$ 407,196
Solid Waste Fund Capital assets, net	<u>\$ 286,691</u>			<u>\$ 245,102</u>
<b>Water &amp; Sewer Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 907,898	\$ 44,906		\$ 952,804
Construction in progress	<u>1,621,468</u>	<u>66,750</u>	_____	<u>1,688,218</u>
Total Capital assets being depreciated:	<u>\$ 2,529,366</u>	<u>\$ 1,074,911</u>	_____	<u>\$ 2,641,022</u>
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	22,839,660			22,839,660
Lines and related equipment	27,546,836	\$ 1,332,203		28,879,039
Equipment	787,051	36,585		823,636
Office furniture & equipment	135,088		\$ 129,893	5,195
Vehicles	1,152,145	106,638		1,258,783
Tanks and reservoirs	<u>4,504,834</u>	<u>13,865</u>	_____	<u>4,518,699</u>
Totals	<u>\$ 58,618,353</u>	<u>\$ 1,489,291</u>	<u>\$ 129,893</u>	<u>\$ 59,977,751</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 260,012	\$ 55,091		\$ 315,193
Treatment facilities	4,900,827	736,659		5,637,486
Lines and related equipment	8,301,441	572,477		8,873,918
Equipment	550,407	44,254		594,661
Office furniture & equipment	133,183	1,039	\$ 129,893	4,328
Vehicles	691,581	95,704		787,285
Tanks and reservoirs	<u>1,153,905</u>	<u>134,619</u>	_____	<u>1,288,524</u>
Total Assets being depreciated, net	<u>\$ 15,991,446</u>	<u>\$ 1,639,843</u>	<u>\$ 129,893</u>	<u>\$ 17,501,395</u>
Water & Sewer Fund	<u>\$ 42,626,907</u>			<u>\$ 42,476,356</u>
Business-type capital assets, net	<u>\$ 45,156,273</u>			<u>\$ 45,117,378</u>
Business-type capital assets, net	<u>\$ 45,442,964</u>			<u>\$ 45,362,480</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Capital asset activity for the ABC Board for the year ended June 30, 2007 was as follows:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 263,794			\$ 263,794
Capital assets being depreciated:				
Buildings	\$ 598,578			\$ 598,578
Real estate improvements	186,691	\$ 4,525		191,216
Furniture and equipment	1,197,460	2,885		122,631
Vehicles	26,646			26,646
Computer equipment and software	<u>28,782</u>			<u>28,782</u>
Total	<u>\$ 960,443</u>	<u>\$ 7,410</u>		<u>\$ 967,853</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 229,989	\$ 15,264		\$245,253
Real estate improvements	33,297	6,383		39,680
Furniture and equipment	72,656	7,829		80,485
Vehicles	14,655	5,330		19,985
Computer equipment and software	<u>5,820</u>	<u>5,659</u>		<u>11,479</u>
Total	<u>\$ 356,417</u>	<u>\$ 40,464</u>		<u>\$ 396,882</u>
Assets being depreciated, net	<u>\$ 604,026</u>			<u>\$ 570,971</u>
ABC Board capital assets, net	<u>\$ 867,820</u>			<u>\$ 834,765</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, 2007

**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>2007</u>	<u>2006</u>	<u>2006</u>
City	\$363,511	\$344,080	\$326,263
ABC Board	\$ 41,756	\$ 37,920	\$ 36,920

**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, 2007 were \$218,868, which consisted of \$79,954 from the City and \$138,914 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

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All full-time City law enforcement officers are covered by the system. At December 31, 2006 the system's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>38</u>
Total	<u>39</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, 2006 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 4.5% to 12.3% 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	\$ 51,155
Interest on net pension obligation	16,695
Adjustment to annual required contribution	<u>( 13,560)</u>
Annual pension cost	\$ 54,690
Contributions made	<u>( 12,796)</u>
Increase in net pension obligation	\$ 41,894
Net pension obligation beginning of year	<u>230,273</u>
Net pension obligation end of year	<u>\$ 272,167</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$47,969	26.68%	\$ 185,277
6/30/2006	\$57,792	22.14%	\$ 230,273
6/30/2007	\$54,690	23.39%	\$ 272,167

**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 \$3,976.

**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, 2007, the City made payments for post-retirement health benefit premiums of \$77,475. 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, 2007

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 forty-two (42) employees eligible for the life insurance benefit with the total liability equal to \$210,000. The City paid out \$10,000 in fiscal year 2006-2007.

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

Bonds payable at June 30, 2007 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:		\$ 990,000
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:	\$1,070,000	
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>( 42,875)</u>	<u>1,027,125</u>
Total General Obligation Bonds		<u>\$2,017,125</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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		\$ 2,683,333
Principal payment of \$116,667 and interest at 4.1%	G/F	
due each April 14 and October 14		
BB & T Highway 25 North Water and Sewer Line Replacement		130,608
Fixed payment of \$132,632 due each January 28 and July 28	W/S	
including principal and interest at 3.1%		
First Citizens Bank sanitation truck loan		43,454
Fixed payment of \$11,308 due each June 30 and December 30	SWE	
including principal and interest at 3.25%		
State of North Carolina Revolving Loan Fund Clean Water Bonds		1,008,800
Interest due each May 1 and November 1 at 3.43%	W/S	
Principal of \$100,880 due each May 1		
State of North Carolina Revolving Loan Fund Clean Water Bonds		9,937,500
Wastewater Treatment Plant Expansion	W/S	
Interest due each May 1 and November 1 at 2.91%		
Principal of \$662,500 due each May 1		
Total Notes Payable		<u>\$ 13,803,695</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, 2007

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, 2007, 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 \$143,309 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 <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 323,334	\$ 156,405	\$ 1,195,364	\$ 421,963
2009	323,333	142,518	1,055,458	374,918
2010	323,333	128,542	1,028,380	337,134
2011	323,334	114,565	1,018,380	301,706
2012	323,333	100,588	763,380	267,042
2013-2017	1,616,666	293,022	3,816,900	936,748
2018-2022	<u>440,000</u>	<u>18,849</u>	<u>3,312,500</u>	<u>19,279</u>
Totals	<u>\$ 3,673,333</u>	<u>\$ 954,489</u>	<u>\$ 12,190,362</u>	<u>\$ 2,625,861</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

Changes in long-term liabilities:

	Balance June 30, 2006	Additions	Reductions	Balances June 30, 2007	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,080,000		\$ 90,000	\$ 990,000	\$ 90,000
Notes payable	2,916,667		233,334	2,686,333	233,334
Compensated absences	434,722	\$ 272,048	255,537	451,233	90,247
Net pension obligation	<u>230,273</u>	<u>54,690</u>	<u>12,796</u>	<u>272,167</u>	<u>0</u>
Governmental activity long-term liabilities	<u>\$ 4,661,662</u>	<u>\$ 326,738</u>	<u>\$ 591,667</u>	<u>\$ 4,396,733</u>	<u>\$ 413,581</u>
Business-type activities:					
General obligation bonds	\$ 1,355,000		\$ 285,000	\$ 1,070,000	\$ 280,000
Less deferred amount for loss on defeasance	<u>(57,197)</u>		<u>(14,322)</u>	<u>(42,875)</u>	<u>(14,322)</u>
Total bonds, net	\$ 1,297,803		\$ 270,678	\$ 1,027,125	\$ 265,678
Notes payable	12,293,306		1,172,944	11,120,362	915,364
Compensated absences	<u>135,896</u>	<u>\$ 133,855</u>	<u>117,015</u>	<u>152,736</u>	<u>30,546</u>
Business-type activities long-term liabilities	<u>\$ 13,727,005</u>	<u>\$ 133,855</u>	<u>\$ 1,560,637</u>	<u>\$ 12,300,223</u>	<u>\$ 1,211,588</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, 2007, was \$89,637,340. 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, 2007

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

The composition of interfund/inter-entity balances as of June 30, 2007, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Funds:	Special Revenue Funds:	
Seventh Avenue Tax District Fund	Downtown Tax District Fund	\$ 709
		-----
Total		<u>\$ 709</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>\$ 30,000</u>

Interfund transfers of the City of Hendersonville for the year ended June 30, 2007 consist of the following:

General Fund to Water and Sewer Fund \$875,880  
 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 \$412,660  
 This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

General Fund to Capital Reserve Fund \$743,516  
 This transfer was to move funds for future City-wide capital to the Capital Reserve Fund, to be available in future years.

Capital Reserve Fund to General Fund \$1,527,160  
 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, 2007

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**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 \$50 million blanket coverage; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$3 million, respectively. The City also carries worker's compensation coverage of up to statutory limits. The City carries commercial insurance coverage for all other risks of loss. There is coverage of \$150,000 for employee dishonesty which covers the finance officer and other employees. 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, 2006, and ending August 1, 2007. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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**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 currently not a defendant in any lawsuits.

**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)			
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%
2006	0	\$490,571	\$490,571	0	\$1,542,417	31.81%

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>
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%
2007	\$51,555	24.82%

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

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

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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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 1 of 6

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>Revenues:</b>					
<b>Ad valorem taxes:</b>					
Taxes	\$ 5,268,000	\$ 5,268,000	\$ 5,595,996	\$ 327,996	\$ 5,312,024
Penalties and interest	25,000	25,000	41,578	16,578	34,831
Refunds	(5,000)	(5,000)	(15,159)	(10,159)	(37,052)
<b>Total</b>	<b>\$ 5,288,000</b>	<b>\$ 5,288,000</b>	<b>\$ 5,622,415</b>	<b>\$ 334,415</b>	<b>\$ 5,309,803</b>
<b>Other taxes and licenses:</b>					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,510	\$ 510	\$ 2,450
Local vehicle rental tax	8,000	8,000	6,491	(1,509)	6,867
Privilege licenses	60,000	60,000	67,477	7,477	70,390
<b>Total</b>	<b>\$ 70,000</b>	<b>\$ 70,000</b>	<b>\$ 76,478</b>	<b>\$ 6,478</b>	<b>\$ 79,707</b>
<b>Unrestricted intergovernmental:</b>					
Local option sales taxes	\$ 2,613,000	\$ 2,613,000	\$ 2,841,637	\$ 228,637	\$ 2,551,264
Less rebated to Henderson County	(113,000)	(113,000)	(84,472)		
Payments in lieu of taxes	17,000	17,000	17,846	846	17,846
Utility franchise tax	650,000	650,000	435,676	(214,324)	731,515
Video programming fee			57,338	57,338	
Telecommunications sales tax			297,557	297,557	
Beer and wine tax	44,000	44,000	55,295	11,295	53,471
ABC profit distribution	70,000	70,000	110,000	40,000	107,500
Court fees	2,500	2,500	7,780	5,280	2,087
<b>Total</b>	<b>\$ 3,283,500</b>	<b>\$ 3,283,500</b>	<b>\$ 3,738,657</b>	<b>\$ 455,157</b>	<b>\$ 3,463,683</b>
<b>Restricted intergovernmental:</b>					
Powell Bill allocation	\$ 370,000	\$ 370,000	\$ 383,053	\$ 13,053	\$ 384,255
D O T bridge repair reimbursement					583,340
Drug forfeitures					5,172
ABC law enforcement services	40,000	40,000	40,000		30,000
On-behalf-of payments:					
Firemen's Relief			3,976	3,976	35,075
School Resource Officer	47,210	47,210	45,406	(1,804)	54,186
<b>Total</b>	<b>\$ 457,210</b>	<b>\$ 457,210</b>	<b>\$ 472,435</b>	<b>\$ 15,225</b>	<b>\$ 1,092,028</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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007					2006 Actual
	Budgeted Amounts			Variance with Final Budget Positive (Negative)		
	Original	Final	Actual			
<b>Permits and fees:</b>						
Building permits and inspection fees	\$ 17,550	\$ 17,550	\$ 36,647	\$ 19,097		\$ 31,480
Cable TV franchise	100,000	100,000	106,996	6,996		138,082
<b>Total</b>	<b>\$ 117,550</b>	<b>\$ 117,550</b>	<b>\$ 143,643</b>	<b>\$ 26,093</b>		<b>\$ 169,562</b>
<b>Sales and services:</b>						
Recreation department fees	\$ 21,500	\$ 21,500	\$ 26,279	\$ 4,779		\$ 22,808
Patton Pool revenues	54,000	54,000	75,501	21,501		61,370
Parking revenues	40,000	40,000	73,357	33,357		59,204
Alarm fees	5,000	5,000	3,525	(1,475)		5,900
Cemetery lots	10,000	10,000	21,350	11,350		21,030
<b>Total</b>	<b>\$ 130,500</b>	<b>\$ 130,500</b>	<b>\$ 200,012</b>	<b>\$ 69,512</b>		<b>\$ 170,312</b>
<b>Investment earnings</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>\$ 919,238</b>	<b>\$ 779,238</b>		<b>\$ 501,524</b>
<b>Miscellaneous:</b>						
Insurance proceeds						\$ 1,906
Parking violations	\$ 19,000	\$ 19,000	35,847	16,847		38,151
Sales of property	550	550	5,406	4,856		25,595
Other	2,750	2,750	24,918	22,168		40,028
<b>Total</b>	<b>\$ 22,300</b>	<b>\$ 22,300</b>	<b>\$ 66,171</b>	<b>\$ 43,871</b>		<b>\$ 105,680</b>
<b>Total revenues</b>	<b>\$ 9,509,060</b>	<b>\$ 9,509,060</b>	<b>\$ 11,239,049</b>	<b>\$ 1,729,989</b>		<b>\$ 10,892,299</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, 2007

Exhibit B-1  
Page 3 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007				2006 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	\$ 67,400	\$ 67,410	\$ 53,899	\$ 13,511	\$ 67,021
Operating expenses	33,330	33,320	19,284	14,036	24,800
Dues and appropriations	117,080	127,080	102,871	24,209	61,318
Reimbursement-enterprise fund	(36,500)	(36,500)	(36,484)	(16)	(33,416)
<b>Total</b>	<b>\$ 181,310</b>	<b>\$ 191,310</b>	<b>\$ 139,570</b>	<b>\$ 51,740</b>	<b>\$ 119,723</b>
<b>Administration:</b>					
Salaries and employee benefits	\$ 290,760	\$ 290,760	\$ 290,066	\$ 694	\$ 273,058
Operating expenses	42,600	42,200	29,370	12,830	37,469
Capital outlay		350,000	15,900	334,100	
Reimbursement-enterprise fund	(145,910)	(145,510)	(130,358)	(15,152)	(123,284)
<b>Total</b>	<b>\$ 187,450</b>	<b>\$ 537,450</b>	<b>\$ 204,978</b>	<b>\$ 332,472</b>	<b>\$ 187,243</b>
<b>Finance:</b>					
Salaries and employee benefits	\$ 699,180	\$ 698,430	\$ 676,834	\$ 21,596	\$ 637,922
Operating expenses	72,500	83,700	63,438	20,262	63,991
Reimbursement-enterprise fund	(446,600)	(446,600)	(493,479)	46,879	(486,222)
<b>Total</b>	<b>\$ 325,080</b>	<b>\$ 335,530</b>	<b>\$ 246,793</b>	<b>\$ 88,737</b>	<b>\$ 215,691</b>
<b>City engineer:</b>					
Salaries and employee benefits	\$ 325,740	\$ 325,740	\$ 318,834	\$ 6,906	\$ 264,992
Operating expenses	20,400	21,150	19,692	1,458	22,997
Reimbursement-enterprise fund	(166,420)	(166,420)	(168,924)	2,504	(145,202)
<b>Total</b>	<b>\$ 179,720</b>	<b>\$ 180,470</b>	<b>\$ 169,602</b>	<b>\$ 10,868</b>	<b>\$ 142,787</b>
<b>Information technology:</b>					
Salaries and employee benefits	\$ 89,290	\$ 89,290	\$ 86,899	\$ 2,391	\$ 80,326
Operating expenses	142,600	147,055	160,390	(13,335)	166,294
Capital outlay	6,000	6,000	5,477	523	7,000
Reimbursement-enterprise fund	(65,360)	(65,360)	(49,816)	(15,544)	(44,728)
<b>Total</b>	<b>\$ 172,530</b>	<b>\$ 176,985</b>	<b>\$ 202,950</b>	<b>\$ (25,965)</b>	<b>\$ 208,892</b>
<b>Legal department</b>					
Salaries and employee benefits	\$ 126,860	\$ 126,860	\$ 125,871	\$ 989	\$ 117,057
Operating expenses	20,870	20,870	6,902	13,968	7,005
Reimbursement-enterprise fund	(64,140)	(64,140)	(74,130)	9,990	(67,526)
<b>Total</b>	<b>\$ 83,590</b>	<b>\$ 83,590</b>	<b>\$ 58,643</b>	<b>\$ 24,947</b>	<b>\$ 56,536</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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
Page 4 of 6

	2007			Variance with Final Budget Positive (Negative)	2006 Actual
	Budgeted Amounts		Actual		
	Original	Final			
<b>Fleet maintenance:</b>					
Salaries and employee benefits	\$ 241,700	\$ 245,050	\$ 242,741	\$ 2,309	\$ 230,720
Operating expenses	97,940	96,590	101,094	(4,504)	97,776
Capital outlay					88,792
Reimbursement-other departments	(56,000)	(58,000)	(66,041)	8,041	(77,055)
Reimbursement-enterprise fund	(38,000)	(38,000)	(26,951)	(11,049)	(35,471)
<b>Total</b>	<b>\$ 245,640</b>	<b>\$ 245,640</b>	<b>\$ 250,843</b>	<b>\$ (5,203)</b>	<b>\$ 304,762</b>
<b>Public buildings:</b>					
Salaries and employee benefits	\$ 184,300	\$ 184,300	\$ 172,532	\$ 11,768	\$ 133,838
Operating expenses	228,301	235,957	228,906	7,051	174,479
Capital outlay	25,000	20,743	20,743		
<b>Total</b>	<b>\$ 437,601</b>	<b>\$ 441,000</b>	<b>\$ 422,181</b>	<b>\$ 18,819</b>	<b>\$ 308,317</b>
<b>Total general government</b>	<b>\$ 1,812,921</b>	<b>\$ 2,191,975</b>	<b>\$ 1,695,560</b>	<b>\$ 496,415</b>	<b>\$ 1,543,951</b>
<b>Public safety:</b>					
<b>Police:</b>					
Salaries and employee benefits	\$ 2,834,340	\$ 2,822,840	\$ 2,653,108	\$ 169,732	\$ 2,332,290
Operating expenses	491,470	502,970	465,685	37,285	405,624
Capital outlay	214,000	216,439	196,883	19,556	112,584
<b>Total</b>	<b>\$ 3,539,810</b>	<b>\$ 3,542,249</b>	<b>\$ 3,315,676</b>	<b>\$ 226,573</b>	<b>\$ 2,850,498</b>
<b>Fire:</b>					
Salaries and employee benefits	\$ 1,062,820	\$ 1,051,820	\$ 1,050,489	\$ 1,331	\$ 1,005,294
Operating expenses	131,300	143,430	102,291	41,139	88,217
Capital outlay	400,000	400,000	392,179	7,821	
On-behalf payments:					
Firemen's Relief fund			3,976	(3,976)	35,075
Contract coverage-Vol. departments	214,730	214,730	220,708	(5,978)	193,230
<b>Total</b>	<b>\$ 1,808,850</b>	<b>\$ 1,809,980</b>	<b>\$ 1,769,643</b>	<b>\$ 40,337</b>	<b>\$ 1,321,816</b>
<b>Zoning:</b>					
Salaries and employee benefits	\$ 108,560	\$ 108,560	\$ 106,812	\$ 1,748	\$ 94,474
Operating expenses	36,400	45,975	31,667	14,308	27,716
<b>Total</b>	<b>\$ 144,960</b>	<b>\$ 154,535</b>	<b>\$ 138,479</b>	<b>\$ 16,056</b>	<b>\$ 122,190</b>
<b>Planning:</b>					
Salaries and employee benefits	\$ 151,550	\$ 151,550	\$ 145,632	\$ 5,918	\$ 143,972
Operating expenses	124,540	144,108	56,670	87,438	91,599
<b>Total</b>	<b>\$ 276,090</b>	<b>\$ 295,658</b>	<b>\$ 202,302</b>	<b>\$ 93,356</b>	<b>\$ 235,571</b>
<b>Total public safety</b>	<b>\$ 5,769,710</b>	<b>\$ 5,802,422</b>	<b>\$ 5,426,100</b>	<b>\$ 376,322</b>	<b>\$ 4,530,075</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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Transportation:</b>						
<b>Administration:</b>						
Salaries and employee benefits	\$ 217,500	\$ 217,500	\$ 212,609	\$ 4,891		\$ 192,135
Operating expenses	53,700	56,130	51,563	4,567		72,867
Capital outlay	30,000	30,000	29,986	14		127,102
<b>Total</b>	<b>\$ 301,200</b>	<b>\$ 303,630</b>	<b>\$ 294,158</b>	<b>\$ 9,472</b>		<b>\$ 392,104</b>
<b>Streets and highways:</b>						
Salaries and employee benefits	\$ 317,760	\$ 317,760	\$ 291,549	\$ 26,211		\$ 276,878
Operating expenses	177,400	187,400	204,743	(17,343)		153,974
Capital outlay	53,000	43,000	6,787	36,213		59,990
Reimbursement-enterprise fund	(50,000)	(50,000)	(63,479)	13,479		(79,929)
<b>Total</b>	<b>\$ 498,160</b>	<b>\$ 498,160</b>	<b>\$ 439,600</b>	<b>\$ 58,560</b>		<b>\$ 410,913</b>
<b>State Street Aid allocation:</b>						
Operating expenses	\$ 420,200	\$ 483,228	\$ 143,372	\$ 339,856		\$ 677,206
Capital outlay		545,000	534,347	10,653		449,724
<b>Total</b>	<b>\$ 420,200</b>	<b>\$ 1,028,228</b>	<b>\$ 677,719</b>	<b>\$ 350,509</b>		<b>\$ 1,126,930</b>
<b>Traffic engineering:</b>						
Salaries and employee benefits	\$ 107,880	\$ 118,620	\$ 114,780	\$ 3,840		\$ 109,352
Operating expenses	216,350	236,610	232,426	4,184		221,484
Capital outlay	10,000					
<b>Total</b>	<b>\$ 334,230</b>	<b>\$ 355,230</b>	<b>\$ 347,206</b>	<b>\$ 8,024</b>		<b>\$ 330,836</b>
<b>Total transportation</b>	<b>\$ 1,553,790</b>	<b>\$ 2,185,248</b>	<b>\$ 1,758,683</b>	<b>\$ 426,565</b>		<b>\$ 2,260,783</b>
<b>Park maintenance, drainage and lot clearing:</b>						
Salaries and employee benefits	\$ 375,170	\$ 375,170	\$ 349,912	\$ 25,258		\$ 370,988
Operating expenses	42,000	45,700	43,568	2,132		39,222
Capital outlay	105,000	107,800	75,568	32,232		157,315
<b>Total park maintenance, drainage, and lot clearing</b>	<b>\$ 522,170</b>	<b>\$ 528,670</b>	<b>\$ 469,048</b>	<b>\$ 59,622</b>		<b>\$ 567,525</b>
<b>Cultural and recreational:</b>						
<b>Patton Park Pool:</b>						
Salaries and employee benefits	\$ 111,690	\$ 111,690	\$ 41,008	\$ 70,682		\$ 42,983
Operating expenses	55,440	76,440	120,679	(44,239)		90,591
Capital outlay				0		
<b>Total cultural and recreational</b>	<b>\$ 167,130</b>	<b>\$ 188,130</b>	<b>\$ 161,687</b>	<b>\$ 26,443</b>		<b>\$ 133,574</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, 2007  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B-1  
 Page 6 of 6

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Debt service:					
Principal	\$ 372,390	\$ 372,390	\$ 323,333	\$ 49,057	\$ 475,296
Interest and fees	217,330	217,330	214,108	3,222	218,542
Total debt service	\$ 589,720	\$ 589,720	\$ 537,441	\$ 52,279	\$ 693,838
Total expenditures	\$ 10,415,441	\$ 11,486,165	\$ 10,048,519	\$ 1,437,646	\$ 9,729,746
Revenues over (under) expenditures	\$ (906,381)	\$ (1,977,105)	\$ 1,190,530	\$ 3,167,635	\$ 1,162,553
Other financing sources / (uses)					
Proceeds of debt	\$ 400,000				
Transfers from (to) other funds:					
Enterprise funds:					
Solid Waste Fund	\$ (412,660)	\$ (412,660)	\$ (412,660)		\$ (613,380)
Water and Sewer Fund	(875,880)	(875,880)	(875,880)		(100,880)
Seventh Avenue Tax District Fund					(5,300)
Capital Project Fund-City Hall Renovation					243,651
Capital Reserve Fund	1,127,160	1,527,160	1,527,160		542,630
Capital Reserve Fund		(743,516)	(743,516)		
Contingencies budgeted	(167,040)	(167,040)		167,040	
Fund balance appropriated	834,801	2,649,041		(2,649,041)	
Total other financing sources (uses)	\$ 906,381	\$ 1,977,105	\$ (504,896)	\$ (2,482,001)	\$ 66,721
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 685,634	\$ 685,634	\$ 1,229,274
Fund balances:					
Beginning of year, July 1			8,056,080		6,826,806
End of year, June 30			<u>\$ 8,741,714</u>		<u>\$ 8,056,080</u>

1,527,160  
 - 743,516  
 -----  
 783,644

# **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**

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

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CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	SPECIAL	REVENUE	FUNDS
	Downtown Tax District Fund		Seventh Avenue Tax District Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,288		\$ 8,304
Taxes receivable (net)	9,739		1,197
Sales tax refundable	1,723		
Due from other funds			709
Grants receivable			
<b>Total Assets</b>	<b>\$ 60,750</b>		<b>\$ 10,210</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 43		
Due to other funds	709		
Deferred revenues	9,739		\$ 1,197
<b>Total Liabilities</b>	<b>\$ 10,491</b>		<b>\$ 1,197</b>
<b>Fund balances:</b>			
Reserved by State statute	\$ 1,723		\$ 709
Unreserved:			
Designated for subsequent year's expenditures	48,536		
Undesignated			8,304
<b>Total Fund balances</b>	<b>\$ 50,259</b>		<b>\$ 9,013</b>
<b>Total Liabilities and Fund balances</b>	<b>\$ 60,750</b>		<b>\$ 10,210</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Exhibit C-1

SPECIAL	REVENUE	FUNDS	CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
Elkamet Infrastructure Grant Fund		Total	Sidewalk Construction Fund	
		\$ 57,592	\$ 269,116	\$ 326,708
		10,936		10,936
		1,723		1,723
		709		709
\$ 131,825		131,825		131,825
\$ 131,825		\$ 202,785	\$ 269,116	\$ 471,901
\$ 131,825		\$ 131,868		\$ 131,868
		709		709
		10,936		10,936
\$ 131,825		\$ 143,513	\$ 0	\$ 143,513
		\$ 2,432		\$ 2,432
		48,536		48,536
		8,304	\$ 269,116	277,420
\$ 0		\$ 59,272	\$ 269,116	\$ 328,388
\$ 131,825		\$ 202,785	\$ 269,116	\$ 471,901

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL	REVENUE	FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Governor's Highway Safety Grant Fund
<b>Revenues:</b>			
Ad valorem taxes	\$ 172,023	\$ 8,878	
Restricted intergovernmental			\$ 23,395
Investment earnings	3,976	568	
<b>Total Revenues</b>	<u>\$ 175,999</u>	<u>\$ 9,446</u>	<u>\$ 23,395</u>
<b>Expenditures:</b>			
Public safety			\$ 23,395
Transportation			
Economic and physical development	\$ 223,700	\$ 3,477	
<b>Total Expenditures</b>	<u>\$ 223,700</u>	<u>\$ 3,477</u>	<u>\$ 23,395</u>
<b>Revenues over (under) expenditures</b>	<u>\$ (47,701)</u>	<u>\$ 5,969</u>	<u>\$ 0</u>
<b>Fund balances:</b>			
Beginning of year, July 1	97,960	3,044	
<b>End of year, June 30</b>	<u>\$ 50,259</u>	<u>\$ 9,013</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, 2007

SPECIAL	REVENUE	FUNDS	CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
Bicycle and Pedestrian Planning Grant Fund	Elkamet Infrastructure Grant Fund	Total	Sidewalk Construction Fund	
		\$ 180,901		\$ 180,901
\$ 23,500	\$ 138,763	185,658		185,658
		4,544	\$ 14,348	18,892
\$ 23,500	\$ 138,763	\$ 371,103	\$ 14,348	\$ 399,799
				<i>385,451</i>
		\$ 23,395		\$ 23,395
\$ 23,500		23,500	\$ 18,551	42,051
	\$ 138,763	365,940		365,940
\$ 23,500	\$ 138,763	\$ 412,835	\$ 18,551	\$ 431,386
\$ 0	\$ 0	\$ (41,732)	\$ (4,203)	\$ (45,935)
		101,004	273,319	374,323
\$ 0	\$ 0	\$ 59,272	\$ 269,116	\$ 328,388

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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-3

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>Revenues:</b>					
Ad valorem taxes:					
Taxes	\$ 180,450	\$ 180,450	\$ 170,378	\$ (10,072)	\$ 175,924
Penalties and interest	100	100	1,645	1,545	1,555
Refunds	(100)	(100)	0	100	
Total	<u>\$ 180,450</u>	<u>\$ 180,450</u>	<u>\$ 172,023</u>	<u>\$ (8,427)</u>	<u>\$ 177,479</u>
Investment earnings	\$ 450	\$ 450	\$ 3,976	\$ 3,526	\$ 3,559
Total revenues	<u>\$ 180,900</u>	<u>\$ 180,900</u>	<u>\$ 175,999</u>	<u>\$ (4,901)</u>	<u>\$ 181,038</u>
<b>Expenditures:</b>					
Economic and physical development:					
Operating expenses	\$ 194,500	\$ 198,500	\$ 181,300	\$ 17,200	\$ 173,313
Capital outlay	331,700	349,100	42,400	306,700	
Total	<u>\$ 526,200</u>	<u>\$ 547,600</u>	<u>\$ 223,700</u>	<u>\$ 323,900</u>	<u>\$ 173,313</u>
Debt service:					
Principal	\$ 15,300	\$ 14,600		\$ 14,600	
Interest and fees	16,400	15,700		15,700	
Total debt service	<u>\$ 31,700</u>	<u>\$ 30,300</u>	<u>\$ 0</u>	<u>\$ 30,300</u>	<u>\$ 0</u>
Total expenditures	<u>\$ 557,900</u>	<u>\$ 577,900</u>	<u>\$ 223,700</u>	<u>\$ 354,200</u>	<u>\$ 173,313</u>
Revenues over (under) expenditures	<u>\$ (377,000)</u>	<u>\$ (397,000)</u>	<u>\$ (47,701)</u>	<u>\$ 349,299</u>	<u>\$ 7,725</u>
<b>Other financing sources / (uses)</b>					
Proceeds of debt	\$ 331,700	\$ 331,700			
Fund balance appropriated	45,300	65,300		\$ (65,300)	
Total other financing sources (uses)	<u>\$ 377,000</u>	<u>\$ 397,000</u>	<u>\$ 0</u>	<u>\$ (65,300)</u>	<u>\$ 0</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,701)</u>	<u>\$ 283,999</u>	<u>\$ 7,725</u>
<b>Fund balances:</b>					
Beginning of year, July 1			97,960		90,235
End of year, June 30			<u>\$ 50,259</u>		<u>\$ 97,960</u>

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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C-4

	2007			2006 Actual
	Original and Final Budgeted Amounts	Actual	Variance Positive (Negative)	
Revenues:				\$ 75,000
Federal grant				
Ad valorem taxes:				
Taxes	\$ 6,750	\$ 8,692	\$ 1,942	8,834
Penalties and interest	50	186	136	246
Total	<u>\$ 6,800</u>	<u>\$ 8,878</u>	<u>\$ 2,078</u>	<u>\$ 84,080</u>
Investment earnings	<u>\$ 100</u>	<u>\$ 568</u>	<u>\$ 468</u>	<u>\$ 699</u>
Total revenues	<u>\$ 6,900</u>	<u>\$ 9,446</u>	<u>\$ 2,546</u>	<u>\$ 84,779</u>
Expenditures:				
Economic and physical development:				
Operating expenses	\$ 3,800	\$ 3,477	\$ 323	\$ 3,522
Capital outlay				114,279
Total expenditures	<u>\$ 3,800</u>	<u>\$ 3,477</u>	<u>\$ 323</u>	<u>\$ 117,801</u>
Revenues over/(under) expenditures	\$ 3,100	\$ 5,969	\$ 2,869	\$ (33,022)
Other financing sources (uses):				
Transfer from / (to) General Fund	(5,300)		5,300	5,300
Appropriated fund balance	2,200		(2,200)	
Total other financing sources	<u>\$ (3,100)</u>	<u>\$ 0</u>	<u>\$ 3,100</u>	<u>\$ 5,300</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ 0</u>	<u>5,969</u>	<u>\$ 5,969</u>	<u>\$ (27,722)</u>
Fund balance:				
Beginning of year, July 1		3,044		30,766
End of year, June 30		<u>\$ 9,013</u>		<u>\$ 3,044</u>

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, 2007

Exhibit C-5

	Actual			Total to Date	Variance Positive (Negative)
	Project Author-ization	Prior Years	Current Year		
<b>Revenues:</b>					
<b>Restricted intergovernmental revenues:</b>					
Federal grant	\$ 35,250	\$ 17,686	\$ 17,546	\$ 35,232	\$ (18)
Local matching contribution	11,750	5,895	5,849	11,744	(6)
<b>Total revenues</b>	<b>\$ 47,000</b>	<b>\$ 23,581</b>	<b>\$ 23,395</b>	<b>\$ 46,976</b>	<b>\$ (24)</b>
<b>Expenditures:</b>					
<b>Public safety:</b>					
<b>Governor's Highway Safety Program</b>					
Operating expenses	\$ 14,850	\$ 14,438	\$ 395	\$ 14,833	\$ 17
Capital outlay	32,150	9,143	23,000	32,143	7
<b>Total expenditures</b>	<b>\$ 47,000</b>	<b>\$ 23,581</b>	<b>\$ 23,395</b>	<b>\$ 46,976</b>	<b>\$ 24</b>
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 N C D O T BICYCLE AND PEDESTRIAN PLANNING GRANT INITIATIVE  
 COMPREHENSIVE PEDESTRIAN PLANNING GRANT # WBS 37309.1.1  
 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, 2007

Exhibit C-6

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
Federal grant	\$ 16,450		\$ 16,450	\$ 16,450	\$ 0
Local matching contribution	7,050		7,050	7,050	0
Total revenues	\$ 23,500	\$ 0	\$ 23,500	\$ 23,500	\$ 0
<b>Expenditures:</b>					
Transportation					
Bicycle and Pedestrian Planning					
Operating expenses	\$ 23,500		\$ 23,500	\$ 23,500	\$ 0
Total expenditures	\$ 23,500	\$ 0	\$ 23,500	\$ 23,500	\$ 0
Excess of revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 N C ECONOMIC INFRASTRUCTURE PROGRAM  
 ELKAMET INFRASTRUCTURE GRANT - 2007-007-40401-107  
 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, 2007

Exhibit C-7

	Actual				Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
State grant	\$ 131,825		\$ 131,825	\$ 131,825	\$ 0
Local matching contribution	6,938		6,938	6,938	0
Total revenues	<u>\$ 138,763</u>	<u>\$ 0</u>	<u>\$ 138,763</u>	<u>\$ 138,763</u>	<u>\$ 0</u>
<b>Expenditures:</b>					
Economic and physical development					
Operating expenses	<u>\$ 138,763</u>	<u>\$ 0</u>	<u>\$ 138,763</u>	<u>\$ 138,763</u>	<u>\$ 0</u>
Total expenditures	<u>\$ 138,763</u>	<u>\$ 0</u>	<u>\$ 138,763</u>	<u>\$ 138,763</u>	<u>\$ 0</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, 2007

Exhibit C-8

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Investment earnings	\$ 10,000	\$ 10,000	\$ 142,779	\$ 132,779	\$ 95,413
Total revenues	\$ 10,000	\$ 10,000	\$ 142,779	\$ 132,779	\$ 95,413
Other financing sources (uses):					
Transfer from General Fund		\$ 743,516	\$ 743,516		
Transfer (to) General Fund	\$ (1,127,160)	(1,527,160)	(1,527,160)		\$ (542,630)
Appropriated fund balance	1,117,160	773,644		\$ (773,644)	
Total other financing sources (uses)	\$ (10,000)	\$ (10,000)	\$ (783,644)	\$ (773,644)	\$ (542,630)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (640,865)	\$ (640,865)	\$ (447,217)
Fund balance:					
Beginning of year, July 1			2,916,977		3,364,194
End of year, June 30			\$ 2,276,112		\$ 2,916,977

# **CAPITAL PROJECTS FUND**

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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.

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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, 2007

Exhibit D-1

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
State grant	\$ 192,000	\$ 192,000		\$ 192,000	
Investment earnings	35,000	199,282	\$ 14,348	213,630	\$ 178,630
<b>Total revenues</b>	<b>\$ 227,000</b>	<b>\$ 391,282</b>	<b>\$ 14,348</b>	<b>\$ 405,630</b>	<b>\$ 178,630</b>
<b>Expenditures :</b>					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,047,000	\$ 1,937,963	\$ 18,551	\$ 1,956,514	\$ 90,486
<b>Total expenditures</b>	<b>\$ 2,047,000</b>	<b>\$ 1,937,963</b>	<b>\$ 18,551</b>	<b>\$ 1,956,514</b>	<b>\$ 90,486</b>
Revenues over (under) expenditures	\$ (1,820,000)	\$ (1,546,681)	\$ (4,203)	\$ (1,550,884)	\$ 269,116
<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>	
Revenues and other financing sources over expenditures	\$ 0	\$ 273,319	\$ (4,203)	\$ 269,116	\$ 269,116
<b>Fund balance:</b>					
Beginning of year, July 1			273,319		
End of year, June 30			\$ 269,116		



# ENTERPRISE FUNDS

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

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CITY OF HENDERSONVILLE, NORTH CAROLINA  
SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES- BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit E-1

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Revenues:						
Operating revenues:						
Charges for services:						
Waste collection:						
Residential	\$ 375,000	\$ 397,270	\$ 425,197	\$ 27,927	\$ 395,593	
Commercial	110,000	110,970	114,323	3,353	113,845	
Total operating revenues	<u>\$ 485,000</u>	<u>\$ 508,240</u>	<u>\$ 539,520</u>	<u>\$ 31,280</u>	<u>\$ 509,438</u>	
Non-operating revenues:						
Miscellaneous:						
Insurance proceeds		\$ 10,666	\$ 2,387	\$ (8,279)	\$ 11,113	
Transfer from General Fund	\$ 412,660	412,660	412,660		613,380	
Total non-operating revenues	<u>\$ 412,660</u>	<u>\$ 423,326</u>	<u>\$ 415,047</u>	<u>\$ (8,279)</u>	<u>\$ 624,493</u>	
Total revenues	<u>\$ 897,660</u>	<u>\$ 931,566</u>	<u>\$ 954,567</u>	<u>\$ 23,001</u>	<u>\$ 1,133,931</u>	
Expenditures:						
Waste collection and treatment:						
Salaries and employee benefits	\$ 417,930	\$ 417,930	\$ 390,631	\$ 27,299	\$ 380,446	
Landfill tipping fees	230,000	235,000	215,648	19,352	222,464	
Other departmental expenses	153,900	143,900	106,349	37,551	137,550	
Contracted services	191,250	196,250	192,305	3,945	207,123	
Total	<u>\$ 993,080</u>	<u>\$ 993,080</u>	<u>\$ 904,933</u>	<u>\$ 88,147</u>	<u>\$ 947,583</u>	
Debt service:						
Principal	\$ 20,700	\$ 20,700	\$ 20,698	\$ 2	\$ 20,042	
Interest	1,920	1,920	1,918	2	2,575	
Total	<u>\$ 22,620</u>	<u>\$ 22,620</u>	<u>\$ 22,616</u>	<u>\$ 4</u>	<u>\$ 22,617</u>	
Capital outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 156,501</u>	
Total expenditures	<u>\$ 1,015,700</u>	<u>\$ 1,015,700</u>	<u>\$ 927,549</u>	<u>\$ 88,151</u>	<u>\$ 1,126,701</u>	
Other financing sources:						
Fund balance appropriated	<u>\$ 118,040</u>	<u>\$ 84,134</u>		<u>\$ (84,134)</u>		
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	\$ 27,018	<u>\$ 27,018</u>	\$ 7,230	
Reconciliation of modified accrual basis to full accrual basis:						
Payment of debt principal			20,698		20,042	
Capital outlay					156,501	
Book value of fixed asset disposals					(10,301)	
Increase in accrued revenues			6,800		3,646	
(Increase) in allowance for uncollectible accounts			(18,237)		(6,149)	
Depreciation			(41,589)		(37,743)	
(Increase) / decrease in compensated absences			205		(1,912)	
Change in net assets		70	<u>\$ (5,105)</u>		<u>\$ 131,314</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Revenues:</b>						
<b>Operating revenues:</b>						
<b>Charges for services:</b>						
Water sales	\$ 6,337,600	\$ 6,337,600	\$ 6,991,661	\$ 654,061	\$ 6,712,374	\$ 6,712,374
Sewer charges	3,767,500	3,767,500	4,162,151	394,651	3,892,412	3,892,412
Water and sewer taps	266,000	266,000	304,635	38,635	368,974	368,974
<b>Other operating revenues:</b>						
System development charges	801,700	831,675	1,330,905	499,230	1,505,238	1,505,238
Other	61,800	61,800	80,826	19,026	78,113	78,113
<b>Total operating revenues</b>	<u>\$ 11,234,600</u>	<u>\$ 11,264,575</u>	<u>\$ 12,870,178</u>	<u>\$ 1,605,603</u>	<u>\$ 12,557,111</u>	<u>\$ 12,557,111</u>
<b>Non-operating revenues:</b>						
Investment earnings	\$ 260,000	\$ 260,000	\$ 699,364	\$ 439,364	\$ 511,490	\$ 511,490
Transfer from General Fund	875,880	875,880	875,880		100,880	100,880
Sale of fixed assets	100	100	100		4,150	4,150
Other non-operating revenues	20,000	20,000	5,678	(14,322)	16,220	16,220
<b>Total non-operating revenues</b>	<u>\$ 1,155,980</u>	<u>\$ 1,155,980</u>	<u>\$ 1,581,022</u>	<u>\$ 425,042</u>	<u>\$ 632,740</u>	<u>\$ 632,740</u>
<b>Total revenues</b>	<u>\$ 12,390,580</u>	<u>\$ 12,420,555</u>	<u>\$ 14,451,200</u>	<u>\$ 2,030,645</u>	<u>\$ 13,189,851</u>	<u>\$ 13,189,851</u>
<b>Expenditures:</b>						
<b>Administration:</b>						
Salaries and employee benefits	\$ 145,000	\$ 148,360	\$ 143,496	\$ 4,864	\$ 132,182	\$ 132,182
Contracted services	114,000	146,244	129,888	16,356	82,937	82,937
Engineering department expense	166,420	166,420	168,924	(2,504)	145,202	145,202
Supplies	9,400	8,869	11,096	(2,227)	9,513	9,513
Other departmental expenses	309,800	312,417	298,648	13,769	295,280	295,280
<b>Total</b>	<u>\$ 744,620</u>	<u>\$ 782,310</u>	<u>\$ 752,052</u>	<u>\$ 30,258</u>	<u>\$ 665,114</u>	<u>\$ 665,114</u>
<b>Business operations:</b>						
Salaries and employee benefits	\$ 446,600	\$ 446,600	\$ 493,479	\$ (46,879)	\$ 486,222	\$ 486,222
Supplies	77,000	79,070	56,015	23,055	90,943	90,943
Other departmental expenses	251,860	363,360	284,823	78,537	189,648	189,648
<b>Total</b>	<u>\$ 775,460</u>	<u>\$ 889,030</u>	<u>\$ 834,317</u>	<u>\$ 54,713</u>	<u>\$ 766,813</u>	<u>\$ 766,813</u>
<b>Operations and maintenance:</b>						
Salaries and employee benefits	\$ 342,400	\$ 339,040	\$ 280,378	\$ 58,662	\$ 267,318	\$ 267,318
Utilities	160,000	163,114	162,289	825	164,347	164,347
Supplies	32,000	27,486	28,155	(669)	27,811	27,811
Other departmental expenses	190,790	184,291	169,320	14,971	216,910	216,910
<b>Total</b>	<u>\$ 725,190</u>	<u>\$ 713,931</u>	<u>\$ 640,142</u>	<u>\$ 73,789</u>	<u>\$ 676,386</u>	<u>\$ 676,386</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Water treatment plant:</b>						
Salaries and employee benefits	\$ 505,050	\$ 505,050	\$ 485,244	\$ 19,806	\$ 457,810	
Contracted services	37,000	119,610	88,050	31,560	120,770	
Utilities	255,000	255,000	231,492	23,508	241,033	
Chemicals	290,000	292,066	275,384	16,682	284,026	
Supplies	43,800	55,284	53,971	1,313	46,636	
Other departmental expenses	110,900	115,662	87,603	28,059	100,529	
<b>Total</b>	<b>\$ 1,241,750</b>	<b>\$ 1,342,672</b>	<b>\$ 1,221,744</b>	<b>\$ 120,928</b>	<b>\$ 1,250,804</b>	
<b>Field operations:</b>						
Salaries and employee benefits	\$ 621,800	\$ 620,728	\$ 536,248	\$ 84,480	\$ 540,893	
Supplies	39,600	36,991	41,149	(4,158)	36,958	
Other departmental expenses	80,700	85,149	76,509	8,640	61,236	
<b>Total</b>	<b>\$ 742,100</b>	<b>\$ 742,868</b>	<b>\$ 653,906</b>	<b>\$ 88,962</b>	<b>\$ 639,087</b>	
<b>Water line maintenance:</b>						
Salaries and employee benefits	\$ 596,700	\$ 596,700	\$ 567,973	\$ 28,727	\$ 557,243	
Contracted services	60,000	38,773	5,172	33,601	39,031	
Issues from inventory	450,000	455,108	528,217	(73,109)	323,364	
Supplies	101,500	103,594	102,685	909	72,612	
Other departmental expenses	194,600	193,244	130,940	62,304	126,448	
<b>Total</b>	<b>\$ 1,402,800</b>	<b>\$ 1,387,419</b>	<b>\$ 1,334,987</b>	<b>\$ 52,432</b>	<b>\$ 1,118,698</b>	
<b>Waste treatment plant:</b>						
Salaries and employee benefits	\$ 493,100	\$ 493,100	\$ 471,335	\$ 21,765	\$ 437,634	
Contracted services	27,000	27,000	21,689	5,311	22,555	
Sludge management	300,000	300,000	275,643	24,357	261,260	
Utilities	250,000	250,000	224,000	26,000	223,018	
Supplies	58,900	58,497	47,150	11,347	40,189	
Other departmental expenses	138,500	138,903	90,222	48,681	97,759	
<b>Total</b>	<b>\$ 1,267,500</b>	<b>\$ 1,267,500</b>	<b>\$ 1,130,039</b>	<b>\$ 137,461</b>	<b>\$ 1,082,415</b>	
<b>Sewer line maintenance:</b>						
Salaries and employee benefits	\$ 444,500	\$ 444,502	\$ 400,786	\$ 43,716	\$ 405,646	
Contracted services	240,000	253,683	117,756	135,927	56,050	
Issues from inventory	45,000	35,000	26,897	8,103	20,785	
Supplies	95,500	85,545	80,280	5,265	69,481	
Other departmental expenses	60,900	69,815	48,815	21,000	49,513	
<b>Total</b>	<b>\$ 885,900</b>	<b>\$ 888,545</b>	<b>\$ 674,534</b>	<b>\$ 214,011</b>	<b>\$ 601,475</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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

Exhibit E-2  
Page 3 of 3

	2006				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2006 Actual
	Original	Final			
Budgetary appropriations:					
Interest	\$ 440,060	\$ 440,060	\$ 446,048	\$ (5,988)	\$ 493,592
Debt principal	1,437,260	1,437,260	1,437,246	14	1,430,465
Transfer to General Fund					
Capital outlay:					
Equipment	2,153,500	2,817,653	243,687	2,573,966	444,291
Water lines	3,779,000	3,398,386	323,138	3,075,248	32,333
Sewer lines	200,000	1,120,552	967,374	153,178	317,855
<b>Total</b>	<b>\$ 8,009,820</b>	<b>\$ 9,213,911</b>	<b>\$ 3,417,493</b>	<b>\$ 5,796,418</b>	<b>\$ 2,718,536</b>
<b>Total expenditures</b>	<b>\$ 15,795,140</b>	<b>\$ 17,228,186</b>	<b>\$ 10,659,214</b>	<b>\$ 6,568,972</b>	<b>\$ 9,519,328</b>
Revenues over (under) expenditures	\$ (3,404,560)	\$ (4,807,631)	\$ 3,791,986	\$ 8,599,617	\$ 3,670,523
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Fund balance appropriated	3,604,560	5,007,631		(5,007,631)	
<b>Total other financing sources (uses)</b>	<b>\$ 3,404,560</b>	<b>\$ 4,807,631</b>	<b>\$ 0</b>	<b>\$ (4,807,631)</b>	<b>\$ 0</b>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	\$ 3,791,986	<u>\$ 3,791,986</u>	\$ 3,670,523
Reconciliation of modified accrual basis to full accrual basis:					
Increase in accrued revenues			207,569		42,068
(Increase) / decrease in allowance for doubtful accounts			29,014		(19,453)
Capital grants					601,960
In-kind capital grant match					58,800
Payment of debt principal			1,437,246		1,430,465
Capital outlay			1,534,199		794,479
Decrease in bond and note interest accrued			9,681		9,532
Amortization of defeasance loss			(14,322)		(14,322)
Depreciation			(1,639,843)		(1,631,186)
(Increase) / decrease in compensated absences			(17,045)		4,463
<b>Change in net assets</b>			<u>\$ 5,338,485</u>		<u>\$ 4,947,329</u>



# **WATER AND SEWER CAPITAL PROJECT FUNDS**

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

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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, 2007

Exhibit E-3

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Federal grant - S T A G funds	\$ 547,250				\$ (547,250)
State grant - High Unit Cost grant	247,817	292,960	\$ 0	\$ 292,960	45,143
<b>Total revenues</b>	<b>\$ 795,067</b>	<b>\$ 292,960</b>	<b>\$ 0</b>	<b>\$ 292,960</b>	<b>\$ (502,107)</b>
<b>Expenditures -</b>					
<b>Waterline construction:</b>					
Engineering	\$ 65,200	\$ 50,720	\$ 39,850	\$ 90,570	\$ (25,370)
Customer portion	180,000				180,000
Construction	652,000	292,960	26,900	319,860	332,140
Contingencies	97,800				97,800
<b>Total expenditures</b>	<b>\$ 995,000</b>	<b>\$ 343,680</b>	<b>\$ 66,750</b>	<b>\$ 410,430</b>	<b>\$ 584,570</b>
Revenues over (under) expenditures	\$ (199,933)	\$ (50,720)	\$ (66,750)	\$ (117,470)	\$ 82,463
<b>Other financing sources:</b>					
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>
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ (50,720)	\$ (66,750)	\$ (117,470)	\$ (117,470)

# AGENCY FUNDS

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

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CITY OF HENDERSONVILLE, NORTH CAROLINA  
 FIREMEN'S RELIEF AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

Exhibit F-1

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>ASSETS</b>				
Cash and investments	<u>\$ 513,910</u>	<u>\$ 31,456</u>	<u>\$ 545,366</u>	<u>\$ 0</u>
<b>LIABILITIES</b>				
Due to other units	<u>\$ 513,910</u>	<u>\$ 31,456</u>	<u>\$ 545,366</u>	<u>\$ 0</u>

\* Custody of the investments of the Firemen's Relief Fund was turned back over to the Board of Trustees of the Fund during the current year.

**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, 2007 AND JUNE 30, 2006

Exhibit G-1

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Governmental Capital Assets:		
Land	\$ 965,960	\$ 950,061
Buildings	7,885,860	7,885,860
Improvements other than buildings	2,474,849	2,378,265
Machinery, vehicles and equipment	4,617,324	4,046,526
Infrastructure	9,289,032	8,706,149
	<hr/>	<hr/>
Totals	<u>\$ 25,233,025</u>	<u>\$ 23,966,861</u>
Investment in Governmental Capital Assets by source:		
General Fund	\$ 17,647,338	\$ 16,465,125
Special Revenue Funds	1,634,819	1,569,419
Capital Projects Funds	5,862,868	5,844,317
Donations	88,000	88,000
	<hr/>	<hr/>
Totals	<u>\$ 25,233,025</u>	<u>\$ 23,966,861</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2007

Exhibit G-2

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government:						
Administration	\$ 716,712	\$ 1,202,794				
Finance		1,282,047				\$ 1,919,506
City engineer				\$ 133,910		1,415,957
Information technology				45,321		45,321
Central services				73,999		73,999
Public buildings		294,384		81,844		376,228
				60,972		60,972
<b>Total general government</b>	<b>\$ 716,712</b>	<b>\$ 2,779,225</b>	<b>\$ 0</b>	<b>\$ 396,016</b>	<b>\$ 0</b>	<b>\$ 3,891,981</b>
Public safety:						
Police		\$ 2,136,746		\$ 1,413,060		\$ 3,549,806
Fire		1,295,871		1,702,465		2,998,346
Zoning				37,195		37,195
<b>Total public safety</b>	<b>\$ 0</b>	<b>\$ 3,432,617</b>	<b>\$ 0</b>	<b>\$ 3,152,720</b>	<b>\$ 0</b>	<b>\$ 6,585,347</b>
Transportation:						
Administration		\$ 1,109,500	\$ 127,102	\$ 55,116		\$ 1,291,718
Streets and highways			475,886	713,119	\$ 9,289,012	10,478,317
Traffic engineering				61,929		61,929
<b>Total transportation</b>	<b>\$ 0</b>	<b>\$ 1,109,500</b>	<b>\$ 602,988</b>	<b>\$ 833,661</b>	<b>\$ 9,289,012</b>	<b>\$ 11,835,184</b>
Park maintenance, drainage and lot clearing	\$ 249,248	\$ 564,518	\$ 1,871,861	\$ 234,894	\$ 0	2,920,521
<b>Totals</b>	<b>\$ 965,960</b>	<b>\$ 7,885,860</b>	<b>\$ 2,474,849</b>	<b>\$ 4,617,324</b>	<b>\$ 9,289,012</b>	<b>\$ 25,233,025</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, 2007

Exhibit C-3

Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2007
<b>General government:</b>					
Administration	\$ 1,903,606	\$ 15,900			\$ 1,919,506
Finance	1,415,957				1,415,957
City engineer	45,321				45,321
Information technology	47,139	26,860			73,999
Central services	376,228				376,228
Public buildings	<u>59,707</u>	<u>20,743</u>		\$ (19,478)	<u>60,972</u>
<b>Total general government</b>	<b>\$ 3,847,958</b>	<b>\$ 63,503</b>	<b>\$ 0</b>	<b>\$ (19,478)</b>	<b>\$ 3,891,983</b>
<b>Public safety:</b>					
Police	\$ 3,351,046	\$ 219,883	\$ 21,123		\$ 3,549,806
Fire	2,680,692	392,179	74,535		2,998,336
Zoning	<u>37,195</u>				<u>37,195</u>
<b>Total public safety</b>	<b>\$ 6,068,933</b>	<b>\$ 612,062</b>	<b>\$ 95,658</b>	<b>\$ 0</b>	<b>\$ 6,585,337</b>
<b>Transportation:</b>					
Administration	\$ 1,291,918				\$ 1,291,918
Streets and highways	1,182,515	\$ 21,016			1,203,531
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	211,709				211,709
Sidewalk systems	1,351,922	18,551			1,370,473
Street systems	3,222,783	550,106			3,772,889
Traffic engineering	<u>64,929</u>				<u>64,929</u>
<b>Total transportation</b>	<b>\$ 11,245,511</b>	<b>\$ 589,673</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,835,184</b>
<b>Park maintenance, drainage and lot clearing</b>	<b>\$ 2,804,459</b>	<b>\$ 96,584</b>		<b>\$ 19,478</b>	<b>\$ 2,920,521</b>
<b>Totals</b>	<b>\$ 21,966,861</b>	<b>\$ 1,361,822</b>	<b>\$ 95,658</b>	<b>\$ 0</b>	<b>\$ 25,233,025</b>

# PROPERTY TAXES



CITY OF HENDERSONVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2007

Exhibit H-1

Fiscal year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Uncollected Balance June 30, 2007
2006-2007		\$ 5,629,659	\$ 5,503,740	\$ 125,919
2005-2006	\$ 115,763		79,125	36,638
2004-2005	26,071		9,519	16,552
2003-2004	10,379		1,975	8,404
2002-2003	16,926		5,683	11,243
2001-2002	6,573		40	6,533
2000-2001	9,741		28	9,713
1999-2000	10,523		30	10,493
1998-1999	6,923		39	6,884
1997-1998	6,915		142	6,773
1996-1997	7,313		7,313	0
	<u>\$ 217,127</u>	<u>\$ 5,629,659</u>	<u>\$ 5,607,634</u>	<u>\$ 239,152</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>112,255</u>
Ad valorem taxes receivable, net				<u>\$ 126,897</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 5,622,416
Reconciling items:				
Interest collected				(41,578)
Taxes written off after 10 years				7,313
Releases and refunds				<u>19,483</u>
Total collections and credits				<u>\$ 5,607,634</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 CITY-WIDE LEVY  
 ANALYSIS OF CURRENT TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2007

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	\$ 1,308,148,372	\$ 0.43	\$ 5,625,038	\$ 5,224,717	\$ 400,321
Penalties			4,621	4,621	
Net levy	<u>\$ 1,308,148,372</u>		\$ 5,629,659	\$ 5,229,338	\$ 400,321
Uncollected taxes at June 30, 2007			<u>125,919</u>	<u>98,777</u>	<u>27,142</u>
Current year's taxes collected			<u>\$ 5,503,740</u>	<u>\$ 5,130,561</u>	<u>\$ 373,179</u>
Current levy collection percentage			<u>97.76%</u>	<u>98.11%</u>	<u>93.22%</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, 2007

Exhibit H-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	1,099,067,860 <del>\$ 1,192,165,767</del>
Personal Property	180,570,133 <del>87,472,226</del>
Public Service Companies	<u>28,510,379</u>
Total Assessed Valuation	<u>\$ 1,308,148,372</u>
Tax Rate per \$100	\$ <u>0.43</u>
Levy ( includes discoveries, releases, abatements ) (3)	<u>\$ 5,629,659</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, 2007

Exhibit 11-2b

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUE	% of TOTAL ASSESSED VALUE
Ingles Markets, Inc.	Grocery Chain	\$ 25,039,577	1.91%
Wal-Mart Stores, Inc.	Retail Sales	20,667,415	1.58%
Highland Investors, LLC	Nursing Homes	15,839,478	1.21%
Boyd L. Hyder	Entrepreneur	14,201,600	1.09%
Lowe's of Hendersonville	Home Improvement	13,429,669	1.03%
First Citizens Bank	Banking Service	13,341,740	1.02%
Home Depot	Home Improvement	11,931,212	0.91%
Blue Ridge Mall, LTD.	Retail Sales	11,902,681	0.91%
Triangle Real Estate	Real Estate Sales	11,383,100	0.87%
Henderson Crossing Shopping Center	Retail Sales	11,432,500	0.87%
Total		<u>\$ 149,168,972</u>	<u>11.40%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2007

Exhibit H-3

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Uncollected Balance June 30, 2007
2005-2006	\$ 4,344	\$ 175,517	\$ 167,289	\$ 8,228
2004-2005	2,127		1,989	2,355
2003-2004	519		786	1,341
2002-2003	712		284	235
2001-2002	297		206	506
2000-2001	330			297
1997-1998	31			330
	\$ 8,360	\$ 175,517	\$ 170,554	\$ 13,323
Less allowance for uncollectible ad valorem taxes receivable				3,584
Ad valorem taxes receivable - net				\$ 9,739
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 172,022
Reconciling items:				
Interest collected				(1,644)
Releases and refunds				176
Total collections and credits				\$ 170,554

CITY OF HENDERSONVILLE, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit II-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	\$ 58,457,333	\$ 0.30	\$ 175,372	\$ 173,892	\$ 1,480
Penalties			145	145	
Net levy	<u>\$ 58,457,333</u>		\$ 175,517	\$ 174,037	\$ 1,480
Uncollected taxes at June 30, 2007			8,228	8,228	0
Current year's taxes collected			<u>\$ 167,289</u>	<u>\$ 165,809</u>	<u>\$ 1,480</u>
Current levy collection percentage			<u>95.31%</u>	<u>95.27%</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, 2007

Exhibit H-5

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Uncollected Balance June 30, 2007
2006-2007		\$ 8,747	\$ 8,124	\$ 623
2005-2006	\$ 738		485	253
2004-2005	178		77	101
2003-2004	123			123
2002-2003	108		14	94
2001-2002	98			98
2000-2001	22			22
1998-1999	40			40
	<u>\$ 1,307</u>	<u>\$ 8,747</u>	<u>\$ 8,700</u>	<u>\$ 1,354</u>

Less allowance for uncollectible ad valorem taxes receivable

157

Ad valorem taxes receivable - net

\$ 1,197

Reconciliation with revenues:

Ad valorem taxes - Seventh Avenue Tax District Fund

\$ 8,878

Reconciling items:

Interest collected

(186)

Refunds and releases

8

Total collections and credits

\$ 8,700

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SEVENTH AVENUE TAX DISTRICT FUND  
 ANALYSIS OF CURRENT TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2007

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	\$ 8,742,010	\$ 0.10	\$ 8,742	\$ 8,032	\$ 710
Penalties			5	5	
Net levy	<u>\$ 8,742,010</u>		\$ 8,747	\$ 8,037	\$ 710
Uncollected taxes at June 30, 2007			623	623	0
Current year's taxes collected			<u>\$ 8,124</u>	<u>\$ 7,414</u>	<u>\$ 710</u>
Current levy collection percentage			<u>92.88%</u>	<u>92.25%</u>	<u>100.00%</u>

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

# TRANSFERS



CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SCHEDULE OF TRANSFERS  
 FOR THE YEAR ENDED JUNE 30, 2007

Exhibit H-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 2,032,056	\$ 1,527,160
Capital Reserve Fund	1,527,160	743,516
Enterprise Funds:		
Solid Waste Fund		412,660
Water and Sewer Fund		875,880
Total - other funds	\$ 3,559,216	\$ 3,559,216
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 110,000	
Law enforcement services	40,000	
General Fund		\$ 150,000
Total - component units	\$ 150,000	\$ 150,000



**SINGLE AUDIT SECTION**



# COMPLIANCE SECTION

# CARLAND & ANDERSEN INCORPORATED

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

F.T. CARLAND, CPA  
MYRA L. DAVIS, CPA  
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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 aggregated remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 27, 2007. 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 Board of Alcoholic Control 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hendersonville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

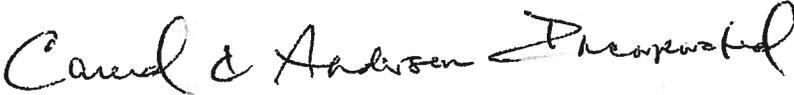
#### Compliance and Other Matters

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 27, 2007.

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 27, 2007



# CARLAND & ANDERSEN INCORPORATED

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

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

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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, 2007. 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 program 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, 2007.

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 State 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 State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

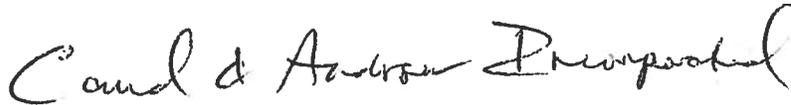
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 27, 2007

A handwritten signature in black ink, appearing to read "Candace Anderson". The signature is written in a cursive style and is positioned to the right of the date.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit I-1  
Page 1 of 2

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

**Financial Statements:**

Type of auditor's report issued:

Unqualified

Internal Control over financial reporting:

. Material weakness identified?

\_\_\_yes X no

. Significant Deficiency identified  
that is not considered to be a  
material weakness?

\_\_\_yes X none reported

. Noncompliance material to  
financial statements noted?

\_\_\_yes X no

**Federal Awards:**

Federal awards expenditures were not at the level that required a federal single audit;  
therefore there were no major federal programs.

**State Awards:**

Internal control over major State programs:

. Material weakness identified?

\_\_\_yes X no

. Significant Deficiency identified  
that is not considered to be a  
material weakness?

\_\_\_yes X none reported

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit I-1  
Page 2 of 2

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

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act

\_\_\_yes X \_\_\_no

Identification of major State programs:

Program Name  
Powell Bill Program

**II. Financial Statement Findings:**

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

**III. Federal Award Findings and Questioned Costs:**

None reported

**IV. State Award Findings and Questioned Costs:**

None reported

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2007

Exhibit 1-2

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. S. Department of Transportation					
Pass-through N. C. Department of Transportation Bicycle / Pedestrian Planning Grant	20.205-6	37309.1.1	\$ 16,450		\$ 7,050
National Highway Safety Administration Pass-through N. C. Department of Transportation N. C. Governor's Highway Safety Program	20.600	PT-06-04-04-27	17,546		5,849
Total Cash Assistance - Federal Programs			\$ 33,996		\$ 12,899
<b>State Grants:</b>					
<b>Cash Programs:</b>					
N. C. Dept of Environment and Natural Resources					
Clean Water Bond Act Pass-through N. C. Rural Economic Development Center, Inc. Economic Infrastructure Funds Program *		2007-07-40401-107		\$ 131,825	\$ 6,938
N. C. Department of Transportation: Powell Bill Program		32570		677,719	
Total Cash Assistance - State Programs				\$ 809,544	\$ 6,938
Total Assistance - All Programs			\$ 33,996	\$ 809,544	\$ 19,837

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.

\* Subrecipients

Economic Infrastructure Funds Program	2007-07-40401-107	
Elkamet, Inc.		\$ 131,825

# 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.

<u>Contents</u>	<u>Page Number</u>
<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.	95
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	101
<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.	105
<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.	109
<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.	111

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442
Restricted	(A)	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300
Unrestricted	(A)	(A)	(A)	(A)	(A)	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865
<b>Total Governmental Activities Net Assets</b>						<u>\$ 18,131,054</u>	<u>\$ 18,845,488</u>	<u>\$ 21,384,070</u>	<u>\$ 22,874,740</u>	<u>\$ 23,566,607</u>
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994
Restricted	(A)	(A)	(A)	(A)	(A)	-	-	-	-	-
Unrestricted	(A)	(A)	(A)	(A)	(A)	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221
<b>Total Business-Type Activities Net assets</b>						<u>\$ 46,555,676</u>	<u>\$ 46,019,075</u>	<u>\$ 50,061,192</u>	<u>\$ 55,139,835</u>	<u>\$ 60,473,215</u>
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	(A)	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436
Restricted	(A)	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300
Unrestricted	(A)	(A)	(A)	(A)	(A)	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086
<b>Total Primary Government Net Assets</b>						<u>\$ 64,686,730</u>	<u>\$ 64,864,563</u>	<u>\$ 71,445,262</u>	<u>\$ 78,014,575</u>	<u>\$ 84,039,822</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 NET ASSETS**

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

**UNAUDITED**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government										
Public Safety	(A)	(A)	(A)	(A)	(A)	\$ 1,317,680	\$ 1,361,553	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990
Environmental Protection	(A)	(A)	(A)	(A)	(A)	4,407,809	4,588,455	4,876,373	4,960,503	5,248,972
Economic and Physical Development	(A)	(A)	(A)	(A)	(A)	422,214	8,300	5,000	5,000	-
Transportation	(A)	(A)	(A)	(A)	(A)	135,462	221,752	192,117	180,915	365,940
Parks and Drainage	(A)	(A)	(A)	(A)	(A)	1,555,299	1,286,798	1,438,031	1,191,132	1,583,224
Cultural and Recreation	(A)	(A)	(A)	(A)	(A)	53,781	373,535	251,391	488,727	464,033
Interest on Long-Term Obligations	(A)	(A)	(A)	(A)	(A)	118,693	107,953	429,747	133,574	161,687
Total Governmental Activities Expenses	(A)	(A)	(A)	(A)	(A)	<u>8,010,938</u>	<u>8,154,992</u>	<u>9,021,543</u>	<u>8,765,539</u>	<u>9,804,204</u>
<b>Business-Type Activities:</b>										
Water and Sewer Fund	(A)	(A)	(A)	(A)	(A)	8,012,256	11,174,479	8,803,851	8,925,895	9,349,299
Solid Waste Fund	(A)	(A)	(A)	(A)	(A)	748,061	775,301	867,522	989,812	948,235
Total Business-Type Activities Expenses	(A)	(A)	(A)	(A)	(A)	<u>8,760,317</u>	<u>11,949,780</u>	<u>9,671,373</u>	<u>9,915,707</u>	<u>10,297,534</u>
<b>Total Primary Government Expenses</b>	(A)	(A)	(A)	(A)	(A)	<u>\$ 16,771,255</u>	<u>\$ 20,104,772</u>	<u>\$ 18,692,916</u>	<u>\$ 18,681,246</u>	<u>\$ 20,101,738</u>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	(A)	(A)	(A)	(A)	(A)	\$ 177,147	\$ -	\$ -	\$ -	\$ -
Public Safety	(A)	(A)	(A)	(A)	(A)	41,808	190,437	142,305	161,804	133,358
Transportation	(A)	(A)	(A)	(A)	(A)	48,028	56,448	43,707	59,204	73,357
Parks and Drainage	(A)	(A)	(A)	(A)	(A)	-	41,960	18,850	21,030	21,350
Cultural and Recreational	(A)	(A)	(A)	(A)	(A)	27,735	-	49,818	84,178	101,780
Other Activities	(A)	(A)	(A)	(A)	(A)	6,680	-	-	-	-
Operating Grants and Contributions	(A)	(A)	(A)	(A)	(A)	788,801	638,783	673,487	509,555	410,529
Capital Grants and Contributions	(A)	(A)	(A)	(A)	(A)	282,806	32,029	1,653,745	726,529	162,159
Total Governmental Activities Program Revenues	(A)	(A)	(A)	(A)	(A)	<u>1,373,005</u>	<u>959,657</u>	<u>2,581,912</u>	<u>1,562,300</u>	<u>902,533</u>
<b>Business-Type Activities:</b>										
Charges for Services:										
Water and Sewer Fund	(A)	(A)	(A)	(A)	(A)	8,750,588	10,174,684	11,471,824	12,586,225	13,112,540
Other Activities	(A)	(A)	(A)	(A)	(A)	338,918	323,079	347,044	507,746	530,470
Operating Grants and Contributions	(A)	(A)	(A)	(A)	(A)	1,132,700	-	-	-	-
Capital Grants and Contributions	(A)	(A)	(A)	(A)	(A)	2,894,789	140,452	648,545	660,761	-
Total Business-Type Activities Program Revenues	(A)	(A)	(A)	(A)	(A)	<u>13,116,995</u>	<u>10,638,215</u>	<u>12,467,413</u>	<u>13,754,732</u>	<u>13,643,010</u>
<b>Total Primary Government Program Revenues</b>	(A)	(A)	(A)	(A)	(A)	<u>\$ 14,490,000</u>	<u>\$ 11,597,872</u>	<u>\$ 15,049,325</u>	<u>\$ 15,317,032</u>	<u>\$ 14,545,543</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net (Expense)/Revenue	(A)	(A)	(A)	(A)	(A)	\$ (6,637,933)	\$ (7,195,335)	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)
Governmental Activities	(A)	(A)	(A)	(A)	(A)	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476
Business-Type Activities	(A)	(A)	(A)	(A)	(A)	\$ (2,281,255)	\$ (8,506,900)	\$ (3,643,591)	\$ (3,364,214)	\$ (5,556,195)
Total Primary Government Net (Expense)/Revenue										
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	(A)	(A)	(A)	(A)	\$ 4,625,261	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316
Sales & Use Tax	(A)	(A)	(A)	(A)	(A)	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165
Other Taxes	(A)	(A)	(A)	(A)	(A)	85,549	79,741	76,151	79,707	76,478
Unrestricted Intergovernmental Revenue	(A)	(A)	(A)	(A)	(A)	740,955	847,401	874,925	912,419	981,492
Restricted Intergovernmental Revenue	(A)	(A)	(A)	(A)	(A)	983,607	785,731	2,390,042	1,320,271	658,093
Permits and Fees	(A)	(A)	(A)	(A)	(A)	73,840	82,210	67,867	169,562	143,643
Sales and Services	(A)	(A)	(A)	(A)	(A)	88,293	104,708	117,725	170,312	200,012
Investment Earnings	(A)	(A)	(A)	(A)	(A)	151,381	88,294	268,504	620,041	1,080,909
Miscellaneous	(A)	(A)	(A)	(A)	(A)	139,265	123,661	273,129	389,192	66,171
Total Governmental Activities	(A)	(A)	(A)	(A)	(A)	8,717,283	9,482,491	11,815,032	11,709,130	11,767,279
Business-Type activities:										
Investment Earnings	(A)	(A)	(A)	(A)	(A)	466,087	119,052	295,222	511,490	699,364
Transfers	(A)	(A)	(A)	(A)	(A)	-	100,880	100,880	100,880	875,880
FEMA Settlement	(A)	(A)	(A)	(A)	(A)	-	-	66,312	-	-
Sale of Fixed Assets	(A)	(A)	(A)	(A)	(A)	-	-	821,550	4,150	100
Miscellaneous	(A)	(A)	(A)	(A)	(A)	65,290	53,475	19,427	16,220	5,678
Total Business-Type Activities	(A)	(A)	(A)	(A)	(A)	531,377	273,407	1,303,391	632,740	1,581,022
Total Primary Government	(A)	(A)	(A)	(A)	(A)	9,248,660	9,755,898	13,118,423	12,341,870	13,348,301
Change in Net Assets:										
Governmental Activities	(A)	(A)	(A)	(A)	(A)	2,079,350	2,287,156	5,375,401	4,505,891	2,865,608
Business-Type Activities	(A)	(A)	(A)	(A)	(A)	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498
Total Primary Government	(A)	(A)	(A)	(A)	(A)	\$ 6,967,405	\$ 1,248,998	\$ 9,474,832	\$ 8,977,656	\$ 7,792,106

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

Note: Decrease due to change in net assets in Governmental Activities.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
 FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

UNAUDITED

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 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	\$ 1,792,483
Unreserved	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	6,949,231
Total General Fund	6,080,258	6,939,299	5,890,152	6,855,602	6,925,130	5,567,455	6,571,649	6,826,806	8,056,080	8,741,714
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	-	1,113,900
Non-Major Funds	-	-	-	-	-	-	-	-	-	2,432
Unreserved, Reported In:										
Special Revenue Funds	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	1,162,212
Capital Projects Funds	1,791,790	974,966	668,000	570,837	259,384	337,364	281,985	278,462	273,319	269,116
Non-Major Funds	-	-	-	-	-	-	-	-	-	56,840
List Any Other Fund Types	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 4,721,400	\$ 5,096,809	\$ 5,706,172	\$ 5,900,495	\$ 4,919,315	\$ 4,838,694	\$ 4,047,889	\$ 3,642,656	\$ 3,190,296	\$ 2,604,500

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes by Source:										
Property Tax	\$ 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	\$ 5,622,415
Sales Tax	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	2,757,165
Other Taxes	50,621	54,420	67,883	74,076	82,865	85,549	79,741	76,151	79,707	76,478
Unrestricted Intergovernmental	1,014,766	1,043,676	1,147,367	1,222,055	489,289	822,455	847,401	874,925	912,419	981,492
Restricted Intergovernmental	376,595	371,941	743,859	426,854	541,484	475,314	483,818	1,492,386	1,092,028	472,435
Permits and Fees	45,234	52,952	53,055	61,433	65,156	73,840	82,210	67,867	169,562	143,643
Sales and Services	90,033	98,133	103,432	91,432	103,129	88,293	104,708	117,725	170,312	200,012
Investment Earnings	341,226	316,046	390,911	417,421	152,156	91,611	51,887	176,604	501,524	919,238
Miscellaneous	77,364	108,125	75,710	242,625	77,238	139,265	123,661	273,129	105,680	66,171
<b>Total Revenues</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>11,239,049</b>
<b>Expenditures</b>										
Current:										
General Government	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	1,695,560
Public Safety	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	5,426,100
Transportation	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	1,758,683
Park Maintenance & Drainage	308,652	281,017	310,778	449,063	342,621	413,026	383,006	490,495	567,525	469,048
Cultural and Recreation	71,013	24,884	22,902	24,795	32,965	53,781	54,132	153,736	133,574	161,687
Capital Outlay:	-	-	-	-	-	-	-	-	-	-
Debt Service:	-	-	-	-	-	-	-	-	-	-
Principal	-	99,953	219,778	235,078	239,827	243,940	359,283	471,026	475,296	323,333
Interest and Fees	-	103,876	135,630	146,566	130,504	120,648	180,429	234,207	218,542	214,108
<b>Total Expenditures</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>	<b>10,048,519</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,628,824</b>	<b>1,227,034</b>	<b>8,031</b>	<b>1,373,290</b>	<b>241,938</b>	<b>(267,968)</b>	<b>1,102,497</b>	<b>204,972</b>	<b>\$ 1,162,553</b>	<b>\$ 1,190,530</b>

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

(CONTINUED)

LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

UNAUDITED

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<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)	(412,660)
Water and Sewer Fund	(139,920)	(100,910)	(100,880)	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)
Water and Sewer Fund	-	-	-	-	-	-	-	529,050	-	-
Seventh Avenue Tax District	-	-	-	-	-	-	-	-	(5,300)	-
Capital Projects Fund - City Hall Renov	-	-	-	-	-	-	-	-	243,651	-
Capital Reserve Fund	185,000	108,000	-	-	-	-	-	(328,200)	-	-
Capital Reserve Fund	(1,409,124)	(1,181,711)	(667,126)	-	796,717	1,190,000	516,417	1,341,600	542,630	1,527,160
Capital Projects Fund - Sidewalks	(20,000)	-	-	-	-	(1,034,447)	-	(742,675)	-	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	-	-	-	-
Downtown Tax District	-	-	(20,000)	(20,000)	(10,000)	-	-	(72,000)	-	-
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	-	-	-	-	-	-
Profit Distribution	136,972	75,148	58,808	72,500	78,000	81,500	-	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,524,072)</u>	<u>(367,992)</u>	<u>(1,057,178)</u>	<u>(407,840)</u>	<u>(172,410)</u>	<u>(988,207)</u>	<u>(98,303)</u>	<u>50,185</u>	<u>66,721</u>	<u>238,620</u>
<b>Net Change in Fund Balances</b>	104,752	859,042	(1,049,147)	965,450	69,528	(1,256,175)	1,004,194	255,157	1,229,274	1,429,150
<b>Capital Asset Expenditures</b>	476,000	636,227	1,510,069	722,899	551,358	1,287,849	471,881	2,137,410	\$ 1,002,507	\$ 1,002,507
<b>Debt Service as a</b>	0.0%	3.8%	5.4%	6.1%	5.5%	5.2%	7.3%	8.5%	8.0%	5.9%
<b>Percentage of Noncapital Expenditures</b>										

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					
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%
2007	\$ 212,363,571	893,007,914	93,097,907	115,982,605	6,303,625	1,308,148,372	0.43	\$ 1,730,354,989	75.6%

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**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>City Direct Rates:</b>										
Basic Rate	\$ 0.550	\$ 0.550	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430
Debt Service	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	0.550	0.550	0.450	0.450	0.450	0.450	0.430	0.430	0.430	0.430
<b>County Rates:</b>										
Henderson County	0.545	0.585	0.500	0.500	0.500	0.500	0.475	0.475	0.515	0.565
Town of Fletcher	0.250	0.250	0.250	0.250	0.250	0.270	0.250	0.270	0.270	0.270
Town of Laurel Park	0.360	0.360	0.310	0.310	0.310	0.310	0.300	0.310	0.310	0.335
Town of Mills River	-	-	-	-	-	-	0.070	0.075	0.075	0.075
Village of Flat Rock	-	-	-	-	-	-	-	-	0.085	0.085
<b>Fire (14) District Rates:</b>										
From Lowest	0.070	0.070	0.060	0.060	0.065	0.065	0.060	0.065	0.065	0.065
To Highest	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.115	0.115	0.115
<b>Special Purpose District Rates:</b>										
Downtown Tax District	0.250	0.250	0.250	0.300	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	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 the districts apply only to the proportion of the City of Hendersonville's property owners whose property is located within the geographic boundaries of the districts.)

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2007

UNAUDITED

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 25,039,577	1	2.03%	\$ 13,037,140	2	1.93%
Wal-Mart, Inc.	20,667,415	2	1.67%	6,540,510	9	0.97%
Highland Investors, LLC	15,839,478	3	1.28%	4,158,900		
Boyd L. Hyder	14,201,600	4	1.15%	7,252,770	7	1.07%
Lowe's of Hendersonville	13,429,669	5	1.09%	6,188,390	10	0.92%
First Citizens Bank	13,341,740	6	1.08%	8,887,810	5	1.31%
Home Depot	11,931,212	7	0.97%	-		
Blue Ridge Mall, LTD.	11,902,681	8	0.96%	13,462,000	1	1.99%
Triangle Real Estate, Inc.	11,383,100	9	0.92%	-		
Henderson Crossing Shopping Center	11,432,500	10	0.93%	5,056,625		
Duke Energy	-			7,886,698	6	1.17%
BellSouth	-			12,258,674	3	1.81%
Robert D. Williams	-			6,984,900	8	1.03%
Carolina Village Inc.	-			10,993,696	4	1.63%
Totals	\$ 149,168,972		12.07%	\$ 102,708,113		13.83%

Source: Henderson County Tax Assessor's Office.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2007	\$ 5,019,939	209,399	\$ 5,229,338	5,130,561	98.1%	103,894	\$ 5,234,455	100.1%

Source: Carland & Andersen, Inc. Annual Audits.

(1) Excludes Motor Vehicle Valuation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
1998	\$ 1,800,000	-	-	3,650,000	-	2,945,676	8,395,676	418.3%	\$ 872
1999	1,710,000	-	950,000	3,485,000	-	2,752,756	8,897,756	401.8%	933
2000	1,620,000	-	830,868	3,170,000	-	2,555,429	8,176,297	352.8%	824
2001	1,530,000	-	706,595	2,855,000	-	3,871,474	8,963,069	359.9%	859
2002	1,440,000	-	576,958	2,545,000	-	16,712,505	21,274,463	798.2%	1,891
2003	1,350,000	-	441,727	2,240,000	-	15,624,173	19,655,900	697.5%	1,705
2004	1,260,000	-	3,682,989	1,940,000	-	14,602,260	21,485,249	735.6%	1,839
2005	1,170,000	-	3,301,962	1,645,000	-	13,453,812	19,570,774	645.8%	1,617
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306	17,644,973	561.1%	1,442
2007	\$ 990,000	-	2,683,333	1,070,000	-	11,120,362	15,863,695	483.1%	\$ 1,269

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

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2007	\$ 990,000	-	\$ 990,000	0.1%	\$ 79

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, 2007

UNAUDITED

City:	Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Hendersonville	\$ 990,000	100.0%	\$ 990,000	\$ 990,000
County:				
Henderson County	4,760,000			4,760,000
Cane Creek Sewer District	3,019,100			3,019,100
Subtotal, Overlapping Debt				<u>7,779,100</u>
City of Hendersonville Direct				<u>3,673,333</u>
Total Direct and Overlapping Debt				<u>\$ 11,452,433</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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	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	\$ 105,156,160
Total Net Debt Applicable to Debt Limit	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	15,518,820
Legal Debt Margin	47,513,614	46,042,223	64,283,710	54,474,375	55,724,842	61,293,287	72,081,253	75,467,950	81,395,164.00	\$ 89,637,340
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	12.5%	13.9%	9.8%	26.4%	26.7%	23.3%	22.2%	20.1%	18.1%	14.8%

Legal Debt Margin Calculation for Fiscal Year 2007

Total Assessed Value	\$ 1,314,451,997
Debt Limit (8% of Total Assessed Value)	105,156,160
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	13,803,695
Total Bonded Debt	2,017,125
Less: Water Bonds Outstanding	(302,000)
Total Amount of Debt Applicable to Debt Limit	15,518,820
Legal Debt Margin	\$ 89,637,340

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

Fiscal Year Ended June 30	(1) City Population		(2) County Population		(3) Personal Income (000's)		(4) Per Capita Personal Income		(5) School Enrollment		(6) County Unemployment Rate		(7) State Unemployment Rate		(8) U.S. Unemployment Rate	
	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%								
2007	12,499	100,107	\$ 3,283,409	\$ 32,799	12,524	3.9%	4.9%	4.5%								

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

Employer	2007			1998		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,683	1	13.47%	1,100	2	11.43%
Pardee Hospital	1,360	2	10.88%	900	3	9.35%
Park Ridge Hospital	766	3	6.13%	450	9	4.67%
Wilsonart International	740	4	5.92%	750	4	7.79%
General Electric Lighting	725	5	5.80%	1,100	1	11.43%
Arvin-Meritor	700	6	5.60%	550	6	5.71%
Wal-Mart	675	7	5.40%			
Ingles	653	8	5.22%			
Henderson County Government	650	9	5.20%	550	7	5.71%
Continental Tevis	522	10	4.18%			
Kimberly-Clark Corporation	-			500	8	5.19%
Eaton Corporation	-			435	10	4.52%
Steelcase, Incorporated	-			680	5	7.06%
Totals	8,474		67.80%	7,015		72.86%

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities										
General Government:										
Administration	6	6	6	6	4	4	4	3	3	3
Finance	6	6	6	4	4	4	4	12	12	12
Support Services	2	2	3	3	4	8	10	10	10	10
Public Safety:										
Police	46	46	46	45	45	45	45	45	45	50
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	5	4	4	4	4	4	4	3	3	3
Streets & Highways	7	7	7	7	7	7	7	7	7	7
Traffic Engineer	3	2	2	2	2	2	2	2	2	2
Parks & Drainage	8	8	8	8	8	8	8	8	8	8
Subtotal	32	30	30	30	30	30	30	29	29	29
Business-Type Activities										
Water and Sewer Fund	73	77	76	76	78	78	74	66	66	67
Solid Waste Fund	11	11	10	10	10	10	10	10	10	10
Total	193	195	194	191	192	196	194	192	192	198

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Building Permits Issued:										
Residential	176	368	378	203	307	348	141	244	235	163
Commercial	115	110	100	240	192	95	101	111	99	80
Public Safety - Police										
Physical Arrests	1,516	1,812	2,501	2,379	1,833	1,690	1,979	2,173	2,177	2,736
Traffic Violations	1,280	2,297	2,342	2,013	2,346	2,233	2,861	2,628	2,685	3,631
Parking Violations	2,618	3,039	2,530	3,445	4,362	3,799	3,854	2,353	2,313	2,353
Public Safety - Fire										
Number of Fire Calls Answered	1,199	1,233	1,205	1,122	1,223	1,377	1,478	1,629	1,617	1,703
Inspections Conducted	483	980	1,080	152	219	205	509	601	620	548
Sewer										
Number of Service Connections	18,520	19,120	19,158	19,688	20,492	21,196	21,832	23,105	23,650	24,300
Average Daily Production in Gallons	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	6,870,000
Solid Waste										
Number of Service Connections	5,532	5,417	5,483	5,793	6,333	6,647	6,846	7,608	7,700	8,000
Average Daily Treatment in Gallons	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	2,786,000
Refuse Collected (Tons per Year)										
City	5.4	5.6	5.6	6.0	5.9	5.9	6.4	6.2	6.2	6.7
County	-	-	-	-	-	-	-	-	-	-
Flat Rock	-	-	-	2,586	2,494	2,167	2,019	2,024	3,639	3,336
Fletcher	-	-	-	18,127	17,646	15,483	14,283	13,669	11,639	10,405
Laurel Park	-	-	-	1,602	1,667	1,619	1,590	1,575	1,288	1,186
Mills River	-	-	-	2,297	2,263	2,200	2,001	1,799	1,409	1,260
Various City of Hendersonville Deaprtments	-	-	-	961	960	898	895	898	881	806
Mediacom in 2006	-	-	-	-	-	-	-	670	1,046	953

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hendersonville										
Public Facilities/Buildings	4	4	4	4	4	4	4	3	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	30	30	30	30	30	30	30	30	30	34
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	56.9	57.4	58.7	58.7	59.1	59.1	60.2	62.9	65.0
Street Lights	1,460	1,462	1,468	1,469	1,469	1,469	1,471	1,575	1,580	1,590
Parks and Recreation										
Parks Acreage	99	99	99	99	99	99	99	99	99	99
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	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	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	406	525	525	528	549	556	574	585	590	595
Fire Hydrants	1,578	1,595	1,595	1,892	2,001	2,024	2,062	2,120	2,135	2,140
Sewer										
Sanitary Sewers (Miles)	100	110	110	117	131	135	148	153	154	154
Storm Sewers (Miles)	25	25	25	25	25	30	30	30	30	30
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.