

CITY OF HENDERSONVILLE

NORTH CAROLINA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the fiscal year ended

June 30, 2008

Prepared by:

Department of Finance



CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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**INTRODUCTORY
SECTION**



LETTER OF TRANSMITTAL



CITY COUNCIL:

GREG NEWMAN
Mayor
BARBARA VOLK
Mayor Pro-Tem
WILLIAM O'CAIN
JEFF COLLIS
STEVE CARAKER

CITY OF HENDERSONVILLE

"The City of Four Seasons"

FINANCE DEPARTMENT
James W. Rudisill, Finance Director

OFFICERS:

W. BOWMAN FERGUSON
City Manager
SAMUEL H. FRITSCHNER
City Attorney
TAMMIE K. DRAKE
City Clerk

November 24, 2008

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, 2008.

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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP 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, 2008, the North Carolina Office of State Planning estimated the city's population to be 12,747.

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 65,000 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 17 percent of the county's work force at an average hourly wage of \$21.44. 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. VanWingerden Greenhouse Company, 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, 80 nurseries and two sod farms produce an estimated 4,200 species of plants on about 4,000 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 62 percent of total general fund expenditures as of June 30, 2008. 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, 2008, totaled \$2,172,462.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (\$50,000) 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, 2008, totaled \$1,079,561.

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 sixty-nine (69) 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-three (23) percent of the City's investments are with the First Citizens Capital Management Group and the remaining eight (8) percent are held by Wachovia Bank, Carolina First, HomeTrust Bank, and Sun Trust Bank. The City also utilizes the services of Branch Banking and Trust (BB&T). As of June 30, 2008, BB&T was holding \$7.2 million in escrow for the Water Treatment Plant Renovation Project.

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. During the fiscal year the City only

participated in the Cash 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, 2008, the Cash Portfolio's average annual return equaled 4.32 percent as compared to 5.26 percent for the prior year. The average yield on 6 month certificates of deposit for the same time period was 4.37 percent.

During Fiscal Year 2008 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 \$1,948,371. Interest income increased 9.4% over the prior year due to capitalized interest on funds borrowed for the Water Treatment Plant Renovation Project. The City is not limited in the amount of funds that may be invested in any one financial institution. The City does, however, strictly adhere to North Carolina General Statute 159-30 which dictates the type of investments in which the city can invest public funds.

Risk Management. The City carries workers' compensation and employer's 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. All insurance is reviewed annually to insure that the City is getting the most cost effective rates available.

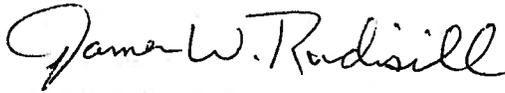
Awards and Acknowledgments

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, 2007. This was the twentieth consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.

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

Sincerely,

A handwritten signature in cursive script that reads "James W. Rudisill". The signature is written in dark ink and is positioned above the printed name and title.

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, 2007

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.



Oliver S. Cox

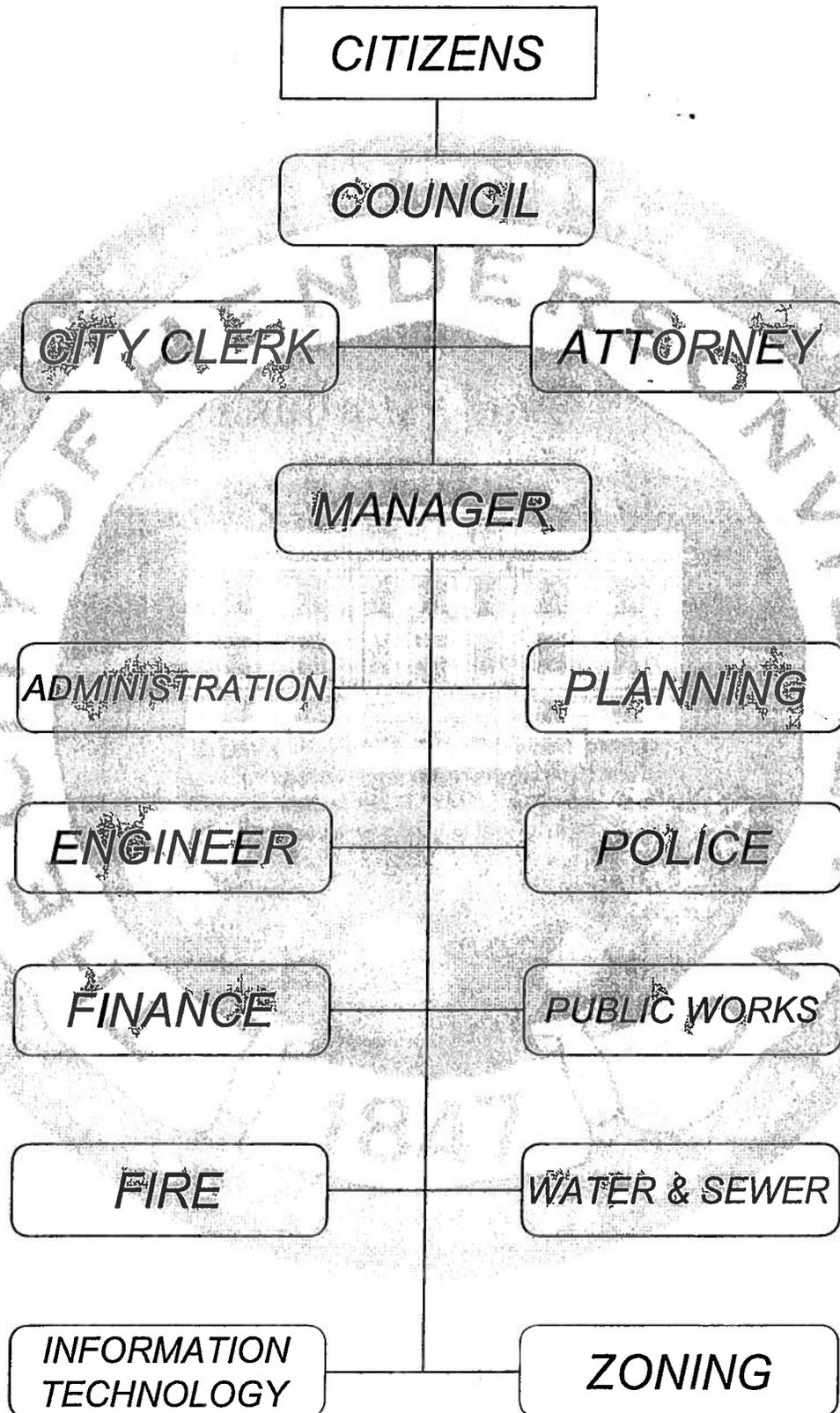
President

Jeffrey R. Emer

Executive Director

CITY OF HENDERSONVILLE

Organizational Chart



CITY OF HENDERSONVILLE OFFICIALS

CITY COUNCIL

Mayor.....Greg Newman

Mayor Pro-Tem.....Barbara Volk

Jeff Collis
Steve Caraker
William O'Cain

CITY STAFF

City Manager W. Bowman Ferguson
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

To the Honorable Mayor and the
Board of Commissioners
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, 2008 which collectively comprise the City of Hendersonville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund and 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 24, 2008 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 agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 Schedules of Funding Progress and Employer Contributions on pages 52 and 53, respectively, 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 the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards, 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 the basic financial statements and, accordingly, we express no opinion on them.

November 24, 2008

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, 2008. 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

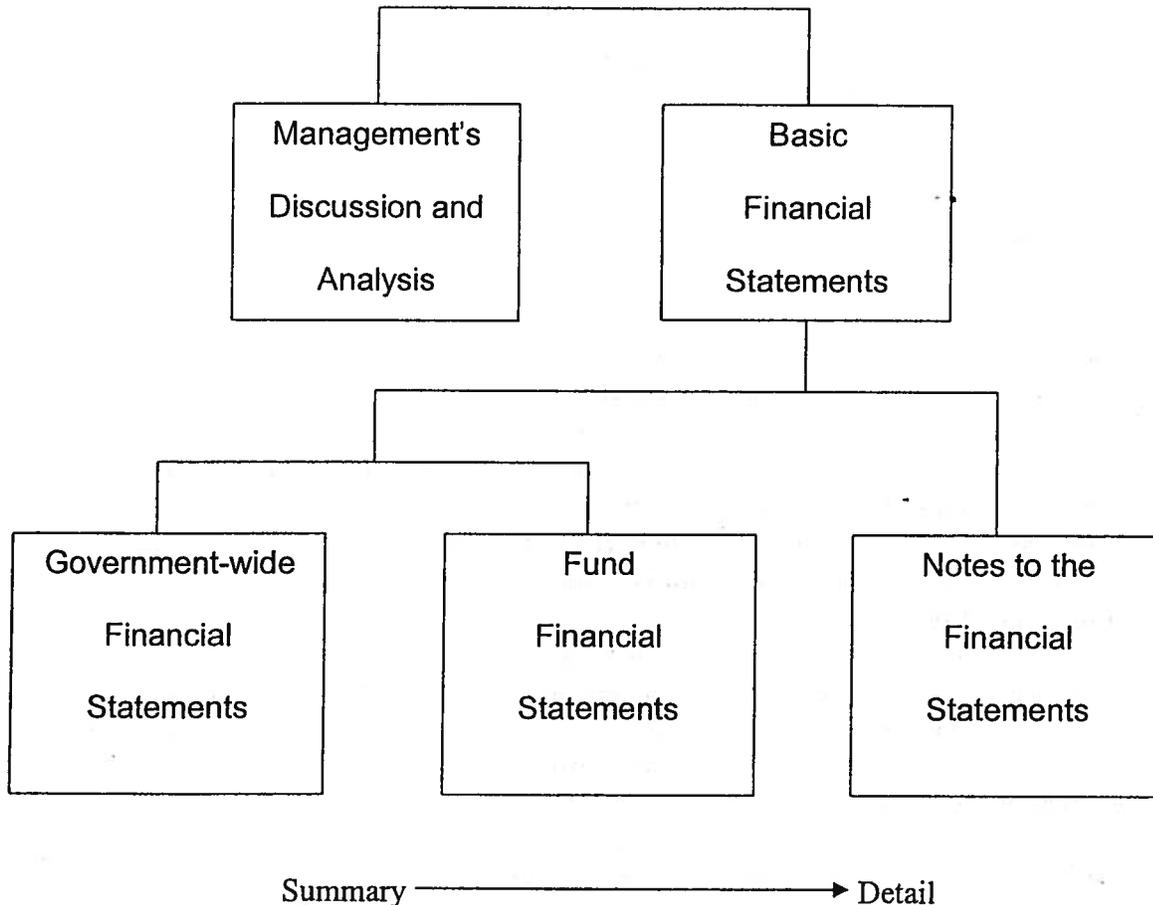
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$89,364,361 (*net assets*).
- The government's total net assets *increased* by \$5,324,539, primarily due to *increases* in both the *governmental* and the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,662,092 a *decrease* of \$684,122 in comparison with the prior year. Approximately 90 percent of this total amount, or \$10,662,092, 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 \$6,005,467 or 62 percent of total general fund expenditures for the fiscal year.
- The City's total debt *increased* by \$8,222,558 or 53% during the current fiscal year. The key factor in this increase was the addition of an installment purchase loan for renovation of the City's water treatment facility.
- Hendersonville maintained its bond rating of Aa with Moody's Investor Service and increased its rating with Standard & Poor's from A+ to AA-.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the City's net 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- 51 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 52 of this report.

Government-Wide Financial Analysis

The City of Hendersonville's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 11,252,918	\$ 12,043,228	\$ 37,566,355	\$ 27,840,321	\$ 48,819,273	\$ 39,883,549
Capital assets	18,525,066	16,510,776	48,622,751	45,362,480	67,147,817	61,873,256
Total assets	<u>29,777,984</u>	<u>28,554,004</u>	<u>86,189,106</u>	<u>73,202,801</u>	<u>115,967,090</u>	<u>101,756,805</u>
Long-term liabilities outstanding	3,620,917	3,983,152	19,385,742	11,088,633	23,006,659	15,071,785
Other liabilities	900,979	1,004,245	2,695,091	1,640,953	3,596,070	2,645,198
Total liabilities	<u>4,521,896</u>	<u>4,987,397</u>	<u>22,080,833</u>	<u>12,729,586</u>	<u>26,602,729</u>	<u>17,716,983</u>
Net assets:						
Invested In capital assets, net of related debt	15,175,066	12,837,442	28,069,938	33,214,994	43,245,004	46,052,436
Restricted	202,518	56,300			202,518	56,300
Unrestricted	9,878,504	10,672,865	36,038,335	27,258,221	45,916,839	37,931,086
Total net assets	<u>\$ 25,256,088</u>	<u>\$ 23,566,607</u>	<u>\$ 64,108,273</u>	<u>\$ 60,473,215</u>	<u>\$ 89,364,361</u>	<u>\$ 84,039,822</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Hendersonville exceeded liabilities by \$89,364,361 as of June 30, 2008. Hendersonville's net assets *increased* by \$5,324,539 for the fiscal year ended June 30, 2008. However, the largest portion (48.4%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (0.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$45,916,839 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 98.01% as compared to the statewide average of 97.56%
- Tax receipts increased an estimated \$817,830 due to property revaluation.
- Income from business licenses increased by \$10,364 indicating that even though the economy has slowed new businesses are still coming to Hendersonville.
- 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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 372,967	\$ 329,845	\$ 13,390,349	\$ 13,643,010	\$ 13,763,316	\$ 13,972,855
Operating grants & contributions	497,857	410,529	-	-	497,857	410,529
Capital grants and contributions	178,328	162,159	-	-	178,328	162,159
General revenues:						
Property taxes	6,725,177	5,828,742	-	-	6,725,177	5,828,742
Other taxes	3,712,129	3,804,351	-	-	3,712,129	3,804,351
Grants & contributions not restricted to specific programs	638,600	110,000	-	-	638,600	110,000
Other	902,276	1,138,985	1,066,453	699,364	1,968,729	1,838,349
Total revenues	13,027,334	11,784,611	14,456,802	14,342,374	27,484,136	26,126,985
Expenses:						
General government	2,047,039	1,768,990	-	-	2,047,039	1,768,990
Public safety	5,904,878	5,248,972	-	-	5,904,878	5,248,972
Transportation	1,582,437	1,583,224	-	-	1,582,437	1,583,224
Parks & drainage	515,024	464,033	-	-	515,024	464,033
Environmental	-	-	-	-	-	-
Economic development	239,525	365,940	-	-	239,525	365,940
Culture and recreation	220,864	161,687	-	-	220,864	161,687
Interest on long-term debt	186,416	211,358	-	-	186,416	211,358
Water and sewer	-	-	10,498,295	9,349,299	10,498,295	9,349,299
Solid Waste	-	-	965,119	948,235	965,119	948,235
Total expenses	10,696,183	9,804,204	11,463,414	10,297,534	22,159,597	20,101,738
Inc. in net assets before transfers	2,331,151	1,980,407	2,993,388	4,044,840	5,324,539	6,025,247
Transfers	(641,670)	(1,288,540)	641,670	1,288,540	-	-
Increase in net assets	1,689,481	691,867	3,635,058	5,333,380	5,324,539	6,025,247
Net assets, July 1	23,566,607	22,874,740	60,473,215	55,139,835	84,039,822	78,014,575
Net assets, June 30	\$ 25,256,088	\$ 23,566,607	\$ 64,108,273	\$ 60,473,215	\$ 89,364,361	\$ 84,039,822

Governmental Activities. Governmental activities increased Hendersonville's net assets by \$1,689,481 thereby accounting for 31.7% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Other taxes and licenses revenues increased slightly.
- Tax revenues increased substantially due to revaluation, 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 \$3,635,058 accounting for 68.3% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase due to an increase in operating revenues associated with a water and sewer fee rate adjustment.
- 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 \$6,005,467, while total fund balance reached \$7,924,110. 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 62 percent of total General Fund expenditures. Fund balance decreased due to an increase in expenditures over revenues as detailed in the next paragraph.

At June 30, 2008, the governmental funds of the City of Hendersonville reported a combined fund balance of \$10,662,092, a decrease over last year. Included in this change in fund balance is a decrease in fund balance of both the General Fund and Capital Reserve Fund. The decrease in the General Fund was due to an increase in operating transfers to other funds. The largest operating transfer was attributable to a transfer to the Capital Reserve Fund. This is mandated by a resolution that requires all General Fund balance in excess of 45% of fund balance available for appropriation be transferred to the Capital Reserve Fund.

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 \$2,826,192 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$494,805 supplemental appropriation for transportation for street paving and road repair; and
- \$870,323 operating transfer to the Capital Reserve Fund; and
- \$471,468 supplemental appropriation for purchase of property for a gateway to the city park; and
- \$342,000 supplemental appropriation for right-of-way acquisition for street widening.

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 \$35,454,356, and those for the Solid Waste Fund amounted to \$583,979. The total growth in net assets for both funds was \$3,515,119 and \$119,939, 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, 2008, totals \$67,147,817 (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 \$825,645. Equipment acquisition accounted for 39% of the total outlay.
- Street paving, road repair and sidewalk maintenance totaled \$368,323.
- Replaced six Police Department patrol vehicles for a total cost of \$139,303.
- Acquisition of land and equipment for Public Works totaling \$662,299.

City of Hendersonville's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,182,445	\$ 965,960	\$ 952,804	\$ 952,804	\$ 3,135,249	\$ 1,918,764
Buildings and systems	6,165,621	6,388,680	17,758,635	18,539,720	23,924,256	24,928,400
Improvements other than buildings	701,904	722,811	23,032,636	23,235,296	23,734,540	23,958,107
Machinery and equipment	407,083	247,795	243,399	229,842	650,482	477,637
Infrastructure	7,341,413	6,292,755	-	-	7,341,413	6,292,755
Vehicles and motorized equipment	1,726,600	1,892,776	484,468	471,498	2,211,068	2,364,274
Construction in progress	-	-	5,946,394	1,688,218	5,946,394	1,688,218
Total	\$ 18,525,066	\$ 16,510,777	\$ 48,418,336	\$ 45,117,378	\$ 66,943,402	\$ 61,628,155

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, 2008, Hendersonville had total bonded debt outstanding of \$1,690,000. Of this, \$900,000 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 900,000	\$ 990,000	\$ 790,000	\$ 1,070,000	\$ 1,690,000	\$ 2,060,000
Total	\$ 900,000	\$ 990,000	\$ 790,000	\$ 1,070,000	\$ 1,690,000	\$ 2,060,000

The City of Hendersonville's total debt increased by \$8,222,558 or 53.0% during the past fiscal year, primarily due to the addition of an installment purchase loan for renovation of the City's water treatment facility.

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 \$112,226,070. The City had \$2,100,000 bonds authorized but un-issued at June 30, 2008.

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. For the fiscal year ended June 30, 2008, the City realized a net present value savings of \$64,378 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 4.7% is well below the State average of 6.2%.
- Importance of manufacturing jobs. In today's economy manufacturing payroll amounts exceed tourism and agriculture combined.
- Approximately 200 businesses, including six 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, 2009

Governmental Activities: Property taxes were budgeted conservatively at a 3.2 percent increase based upon estimates provided to the City by the Henderson County tax assessor. Sales and Use tax revenue is expected to decrease in budgeted revenue by 11.9 percent. This is due to the County changing the sales and use tax distribution method from per capita to ad valorem. Overall, budgeted revenues are estimated to be about the same as the prior year.

Budgeted expenditures in the General Fund are expected to decline 2.4 percent, which represents a decrease of \$299,220. One of the largest areas of decrease is in the funding of health insurance due to switching carriers from United Healthcare to Blue Cross/Blue Shield. Also, capital outlay appropriations will decrease substantially due to smaller projects budgeted in the Public Works Department. Capital outlay for information technology needs was also less than the previous year.

Business – type Activities: The water rates in the City will increase for all customer classifications. The majority of City residential customers will see a modest 5% increase. Total water and sewer appropriations will decrease by 23% with the majority of the decrease being attributable to fewer funds budgeted for capital outlay. Total operating costs will increase 8.4 percent due to an increase in the amount of funds budgeted for chemicals, fuel and utilities. Personnel costs increased approximately 7.8%.

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, 2008

Exhibit I

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,103,027	\$ 22,258,915	\$ 30,361,942	\$ 831,251
Investments	2,128,143	5,976,881	8,105,024	
Receivables (net)				
Taxes	171,342		171,342	
Accounts	54,598	1,467,078	1,521,676	341
Shared taxes	681,697		681,697	
Refundable taxes	74,111	104,972	179,083	
Due from component unit	40,000		40,000	
Inventories		548,127	548,127	551,204
Restricted cash and cash equivalents		7,210,382	7,210,382	
Total current assets	<u>\$ 11,252,918</u>	<u>\$ 37,566,355</u>	<u>\$ 48,819,273</u>	<u>\$ 1,382,796</u>
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 2,182,445	\$ 6,899,198	\$ 9,081,643	\$ 263,794
Other capital assets, net of depreciation	16,342,621	41,723,553	58,066,174	560,173
Total capital assets	<u>\$ 18,525,066</u>	<u>\$ 48,622,751</u>	<u>\$ 67,147,817</u>	<u>\$ 823,967</u>
Total assets	<u>\$ 29,777,984</u>	<u>\$ 86,189,106</u>	<u>\$ 115,967,090</u>	<u>\$ 2,206,763</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 279,929	\$ 196,936	\$ 476,865	\$ 265,037
Salaries payable	138,968	90,364	229,332	
Unearned revenue	587		587	
Customer deposits		148,525	148,525	
Accrued interest payable	28,161	158,616	186,777	
Due to primary government				40,000
Current portion of long-term liabilities	453,334	1,947,760	2,401,094	
Payable from restricted assets		752,890	752,890	
Total current liabilities	<u>\$ 900,979</u>	<u>\$ 3,295,091</u>	<u>\$ 4,196,070</u>	<u>\$ 305,037</u>
Long-term liabilities due in more than one year	<u>\$ 3,620,917</u>	<u>\$ 18,785,742</u>	<u>\$ 22,406,659</u>	
Total liabilities	<u>\$ 4,521,896</u>	<u>\$ 22,080,833</u>	<u>\$ 26,602,729</u>	<u>\$ 305,037</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 15,175,066	\$ 28,069,938	\$ 43,245,004	\$ 823,967
Restricted for:				
Transportation	202,518		202,518	
Capital improvements				30,629
Working capital				145,726
Unrestricted	<u>9,878,504</u>	<u>36,038,335</u>	<u>45,916,839</u>	<u>901,404</u>
Total net assets	<u>\$ 25,256,088</u>	<u>\$ 64,108,273</u>	<u>\$ 89,364,361</u>	<u>\$ 1,901,726</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, 2008

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,047,039			
Public safety	5,904,878	\$ 159,579	\$ 61,196	\$ 110,878
Transportation	1,582,437	70,791	436,661	7,450
Parks and drainage	515,024	23,450		
Economic and physical development	239,525			
Cultural and recreational	220,864	119,147		60,000
Interest on long-term debt	186,416			
Total governmental activities (Note 1)	<u>\$ 10,696,183</u>	<u>\$ 372,967</u>	<u>\$ 497,857</u>	<u>\$ 178,328</u>
Business-type activities:				
Water and Sewer	\$ 10,498,295	\$ 12,846,457		
Solid Waste	965,119	543,892		
Total business-type activities	<u>\$ 11,463,414</u>	<u>\$ 13,390,349</u>		
Total primary government	<u>\$ 22,159,597</u>	<u>\$ 13,763,316</u>	<u>\$ 497,857</u>	<u>\$ 178,328</u>
Component Unit:				
ABC Board	\$ 3,809,198	\$ 3,816,221		
Total component unit	<u>\$ 3,809,198</u>	<u>\$ 3,816,221</u>		

General revenues:

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

Change in net assets

Net assets - beginning, July 1

Net assets - ending, June 30

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (2,047,039)		\$ (2,047,039)	
(5,573,225)		(5,573,225)	
(1,067,535)		(1,067,535)	
(491,574)		(491,574)	
(239,525)		(239,525)	
(41,717)		(41,717)	
(186,416)		(186,416)	
\$ (9,647,031)		\$ (9,647,031)	
	\$ 2,348,162	\$ 2,348,162	
	(421,227)	(421,227)	
	\$ 1,926,935	\$ 1,926,935	
\$ (9,647,031)	\$ 1,926,935	\$ (7,720,096)	
			\$ 7,023
			\$ 7,023
\$ 6,725,177		\$ 6,725,177	
3,712,129		3,712,129	
638,600		638,600	
881,739	\$ 1,066,453	1,948,192	\$ 30,333
20,537		20,537	
(641,670)	641,670	0	
\$ 1,689,481	\$ 3,635,058	\$ 5,324,539	37,356
23,566,607	60,473,215	84,039,822	1,864,370
\$ 25,256,088	\$ 64,108,273	\$ 89,364,361	\$ 1,901,726

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Capital Reserve Fund	Total Non-Major Funds	
Assets:				
Cash and cash equivalents	\$ 7,445,448	\$ 44,319	\$ 613,260	\$ 8,103,027
Investments		2,128,143		2,128,143
Receivables (net)				
Taxes	161,941		9,401	171,342
Accounts	54,480		118	54,598
Shared taxes	681,697			681,697
Refundable taxes	72,088		2,023	74,111
Due from component unit	40,000			40,000
Total assets	<u>\$ 8,455,654</u>	<u>\$ 2,172,462</u>	<u>\$ 624,802</u>	<u>\$ 11,252,918</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 230,048		\$ 49,881	\$ 279,929
Salaries payable	138,968			138,968
Deferred revenues	162,528		9,401	171,929
Total liabilities	<u>\$ 531,544</u>		<u>\$ 59,282</u>	<u>\$ 590,826</u>
Fund balances:				
Reserved by State statute	\$ 848,265		\$ 2,141	\$ 850,406
Reserved for encumbrances				0
Reserved for streets-Powell Bill	202,518			202,518
Unreserved, designated subsequent year's budget	867,860			867,860
Special Revenue funds		\$ 502,760	121,590	624,350
Unreserved	6,005,467	1,669,702		7,675,169
Unreserved, reported in:				
Special Revenue funds			234,771	234,771
Capital Projects Fund			207,018	207,018
Total fund balances	<u>\$ 7,924,110</u>	<u>\$ 2,172,462</u>	<u>\$ 565,520</u>	<u>\$ 10,662,092</u>
Total liabilities and fund balances	<u>\$ 8,455,654</u>	<u>\$ 2,172,462</u>	<u>\$ 624,802</u>	<u>\$ 11,252,918</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, 2008

Exhibit 3

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>\$ 18,525,066</u>
Adjusting items:	
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	\$ 171,342
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(28,161)
Bonds payable	(900,000)
Notes payable	(2,450,000)
Compensated absences payable	(433,419)
Net pension benefit-Special Separation Allowance	<u>(290,832)</u>
Total adjusting items	\$ 14,593,996
Total fund balances	<u>10,662,092</u>
Net assets of governmental activities	<u>\$ 25,256,088</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, 2008

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Nonmajor Funds</u>	
Revenues:				
Ad valorem taxes	\$ 6,440,245		\$ 251,425	\$ 6,691,670
Other taxes and licenses	80,352			80,352
Unrestricted intergovernmental	3,743,658			3,743,658
Restricted intergovernmental	588,395		110,878	699,273
Permits and fees	35,510			35,510
Sales and services	217,213			217,213
Investment earnings	717,518	\$ 149,927	14,294	881,739
Miscellaneous	81,330		60,000	141,330
Total revenues	\$ 11,904,221	\$ 149,927	\$ 436,597	\$ 12,490,745
Expenditures:				
General government	\$ 2,048,160			\$ 2,048,160
Public safety	5,556,863		\$ 110,878	5,667,741
Transportation	1,780,266		279,522	2,059,788
Parks and drainage	1,083,802			1,083,802
Economic and physical development			901,266	901,266
Cultural and recreational	220,864		38,504	259,368
Debt service:				
Principal	323,333			323,333
Interest and fees	189,739			189,739
Total expenditures	\$ 11,203,027	\$ 0	\$ 1,330,170	\$ 12,533,197
Revenues over (under) expenditures	\$ 701,194	\$ 149,927	\$ (893,573)	\$ (42,452)
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (641,670)			\$ (641,670)
General Fund / Capital Reserve Fund	(5,323)	\$ 5,323		
Capital Reserve Fund / Special Revenue Fund		(258,900)	\$ 258,900	
General Fund / Special Revenue Fund	(696,805)		696,805	
General Fund / Capital Project Fund	(175,000)		175,000	
Total other financing sources (uses)	\$ (1,518,798)	\$ (253,577)	\$ 1,130,705	\$ (641,670)
Net change in fund balances	\$ (817,604)	\$ (103,650)	\$ 237,132	\$ (684,122)
Fund balances:				
Beginning of year, July 1	8,741,714	2,276,112	328,388	11,346,214
End of year, June 30	\$ 7,924,110	\$ 2,172,462	\$ 565,520	\$ 10,662,092

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, 2008

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 2,534,977
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,023,768)</u>
The amount by which capital outlays exceeded depreciation in the current period was	<u>\$ 1,511,209</u>
The net effect of various miscellaneous transactions involving capital assets(i.e. sales, trade-ins, and disposals) is to decrease net assets	<u>\$ (25,519)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Contribution of land for recreation park by taxpayer	\$ 528,600
Change in deferred revenue for tax revenues	<u>33,508</u>
	<u>\$ 562,108</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	\$ 17,814
Change in net pension obligation	(18,665)
Change in accrued interest payable	<u>3,323</u>
	<u>\$ 2,472</u>
Total adjusting items	\$ 2,373,603
Net changes in fund balances - total governmental funds	<u>(684,122)</u>
Total changes in net assets of governmental activities	<u>\$ 1,689,481</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, 2008

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,254,000	\$ 6,254,000	\$ 6,440,245	\$ 186,245
Other taxes and licenses	70,000	70,000	80,352	10,352
Unrestricted intergovernmental	3,443,910	3,443,910	3,743,658	299,748
Restricted intergovernmental	469,720	469,720	588,395	118,675
Permits and fees	17,600	17,600	35,510	17,910
Sales and services	118,500	118,500	217,213	98,713
Investment earnings	250,000	250,000	717,518	467,518
Miscellaneous	26,350	26,350	81,330	54,980
Total revenues	\$ 10,650,080	\$ 10,650,080	\$ 11,904,221	\$ 1,254,141
Expenditures:				
General government	\$ 2,299,440	\$ 2,381,081	\$ 2,048,160	\$ 332,921
Public safety	5,658,820	5,790,625	5,556,863	233,762
Transportation	1,955,870	2,612,188	1,780,266	831,922
Parks and drainage	861,290	1,349,290	1,083,802	265,488
Cultural and recreational	198,200	198,200	220,864	(22,664)
Debt service:				
Principal	323,350	323,350	323,333	17
Interest and fees	188,200	188,200	189,739	(1,539)
Total expenditures	\$ 11,485,170	\$ 12,842,934	\$ 11,203,027	\$ 1,639,907
Revenues over (under) expenditures	\$ (835,090)	\$ (2,192,854)	\$ 701,194	\$ 2,894,048
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (641,670)	\$ (641,670)	\$ (641,670)	
Capital Reserve Fund (net)	865,000	(5,323)	(5,323)	
General Fund (net)				
Nonmajor special revenue funds		(696,805)	(696,805)	
Nonmajor capital project funds		(175,000)	(175,000)	
Contingencies budgeted (expenditures)	(150,000)	(51,300)		\$ 51,300
Fund balance appropriated	761,760	3,762,952		(3,762,952)
Total other financing sources (uses)	\$ 835,090	\$ 2,192,854	\$ (1,518,798)	\$ (3,711,652)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (817,604)	\$ (817,604)
Fund balances:				
Beginning of year, July 1			8,741,714	
End of year, June 30			<u>7,924,110</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, 2008

Exhibit 5

Special Revenue Fund - Capital Reserve Fund			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Final	Actual	
\$ 10,000	\$ 10,000	\$ 149,927	\$ 139,927
\$ 10,000	\$ 10,000	\$ 149,927	\$ 139,927
\$ 10,000	\$ 10,000	\$ 149,927	\$ 139,927
\$ (865,000) (258,900)	\$ 5,323 (258,900)	\$ 5,323 (258,900)	
1,113,900	243,577		\$ (243,577)
\$ (10,000)	\$ (10,000)	\$ (253,577)	\$ (243,577)
\$ 0	\$ 0	\$ (103,650)	\$ (103,650)
		2,276,112	
		\$ 2,172,462	

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, 2008

Exhibit 6

Business Type Activities - Enterprise Funds			
	Solid Waste Fund	Water and Sewer Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 563,243	\$ 21,695,672	\$ 22,258,915
Investments		5,976,881	5,976,881
Accounts receivable (net)	66,297	1,400,781	1,467,078
Sales taxes refundable	2,880	102,092	104,972
Inventories		548,127	548,127
Restricted cash and cash equivalents (BB&T ESCROW)		7,210,382	7,210,382
Total current assets	\$ 632,420	\$ 36,933,935	\$ 37,566,355
Noncurrent assets:			
Land and other non-depreciable assets		\$ 6,899,198	\$ 6,899,198
Other capital assets, net of depreciation	\$ 204,415	41,519,138	41,723,553
Capital assets (net)	\$ 204,415	\$ 48,418,336	\$ 48,622,751
Total noncurrent assets	\$ 204,415	\$ 48,418,336	\$ 48,622,751
Total Assets	\$ 836,835	\$ 85,352,271	\$ 86,189,106
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 21,258	\$ 175,678	\$ 196,936
Salaries payable	7,473	82,891	90,364
Customer deposits		148,525	148,525
Accrued bond and note interest		158,616	158,616
Compensated absences-current	6,000	49,000	55,000
Bonds payable-current (net)		255,708	255,708
Notes payable -current	22,077	1,614,975	1,637,052
Liabilities payable from restricted assets		752,890	752,890
Total current liabilities	\$ 56,808	\$ 3,238,283	\$ 3,295,091
Noncurrent liabilities:			
Compensated absences	\$ 13,710	\$ 111,979	\$ 125,689
Bonds payable (net)		505,728	505,728
Notes payable		18,154,325	18,154,325
Total noncurrent liabilities	\$ 13,710	\$ 18,772,032	\$ 18,785,742
Total Liabilities	\$ 70,518	\$ 22,010,315	\$ 22,080,833
NET ASSETS			
Invested in capital assets, net of related debt	\$ 182,338	\$ 27,887,600	\$ 28,069,938
Unrestricted	583,979	35,454,356	36,038,335
Total Net Assets	\$ 766,317	\$ 63,341,956	\$ 64,108,273

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, 2008

Exhibit 7

Business Type Activities - Enterprise Funds			
	Solid Waste Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 541,391	\$ 11,978,436	\$ 12,519,827
Other operating revenues	2,501	868,021	870,522
Total operating revenues	\$ 543,892	\$ 12,846,457	\$ 13,390,349
Operating expenses:			
Administration		\$ 788,754	\$ 788,754
Business operations		833,824	833,824
Water treatment and distribution		4,614,380	4,614,380
Waste collection and treatment	\$ 923,192	1,877,099	2,800,291
Depreciation	40,687	1,672,357	1,713,044
Total operating expenses	\$ 963,879	\$ 9,786,414	\$ 10,750,293
Operating income (loss)	\$ (419,987)	\$ 3,060,043	\$ 2,640,056
Non-operating revenues (expenses):			
Interest earned on investments	\$ 376	\$ 1,066,077	\$ 1,066,453
Interest on long-term debt	(1,240)	(711,881)	(713,121)
Total non-operating revenues (net)	\$ (864)	\$ 354,196	\$ 353,332
Income (loss) before contributions and transfers:	\$ (420,851)	\$ 3,414,239	\$ 2,993,388
Transfer from General Fund	540,790	100,880	641,670
Change in net assets	\$ 119,939	\$ 3,515,119	\$ 3,635,058
Total net assets - beginning, July 1	646,378	59,826,837	60,473,215
Total net assets - ending, June 30	\$ 766,317	\$ 63,341,956	\$ 64,108,273

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, 2008

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 542,795	\$ 12,046,560	\$ 12,589,355
Cash paid for goods and services	(519,700)	(4,422,297)	(4,941,997)
Cash paid to employees for services	(399,750)	(3,659,285)	(4,059,035)
Customer deposits received		87,925	87,925
Customer deposits returned		(69,275)	(69,275)
Other operating revenue		868,021	868,021
Net cash provided (used) by operating activities	<u>\$ (376,655)</u>	<u>\$ 4,851,649</u>	<u>\$ 4,474,994</u>
Cash flows from noncapital and financing related activity:			
Operating subsidy-General Fund	\$ 540,790	\$ 100,880	641,670
Net cash provided by noncapital and related financing activity	<u>\$ 540,790</u>	<u>\$ 100,880</u>	<u>\$ 641,670</u>
Cash flows from capital and related financing activities:			
Proceeds of borrowing		\$ 10,000,000	\$ 10,000,000
Acquisition and construction of capital assets		(4,234,974)	(4,234,974)
Principal paid on bonds		(280,000)	(280,000)
Principal paid on notes	\$ (21,377)	(1,307,608)	(1,328,985)
Interest on bonds and notes	(1,240)	(601,281)	(602,521)
Net cash provided (used) by capital and related financing activities	<u>\$ (22,617)</u>	<u>\$ 3,576,137</u>	<u>\$ 3,553,520</u>
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		\$ 496,003	\$ 496,003
Purchases of investments		(588,967)	(588,967)
Interest on investments	\$ 376	1,066,077	1,066,453
Net cash provided by investing activities	<u>\$ 376</u>	<u>\$ 973,113</u>	<u>\$ 973,489</u>
Net increase in cash and cash equivalents	<u>\$ 141,894</u>	<u>\$ 9,501,779</u>	<u>\$ 9,643,673</u>
Cash and cash equivalents:			
Balances - beginning of year	421,349	19,404,275	19,825,624
Balances - end of year	<u>\$ 563,243</u>	<u>\$ 28,906,054</u>	<u>\$ 29,469,297</u>

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, 2008

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)	\$ (419,987)	\$ 3,060,043	\$ 2,640,056
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	\$ 40,687	\$ 1,639,843	\$ 1,680,530
Increase (decrease) in allowance for uncollectible accounts	6,042	2,305	8,347
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(7,139)	38,709	31,570
Refundable taxes receivable	(576)	3,265	2,689
Inventory		(80,061)	(80,061)
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	17	37,430	37,447
Salaries payable	(234)	11,736	11,502
Customer deposits		18,650	18,650
Accrued interest on bonds and notes		96,311	96,311
Compensated absences payable	4,535	23,418	27,953
Total adjustments	\$ 43,332	\$ 1,791,606	\$ 1,834,938
Net cash provided (used) by operating activities	\$ (376,655)	\$ 4,851,649	\$ 4,474,994

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 FINANCIAL STATEMENTS

JUNE 30, 2008

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 FINANCIAL STATEMENTS

JUNE 30, 2008

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 four 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. Oklawaha Greenway Phase II Grant Fund was established to administer a state grant to extend existing pedestrian walkways and bicycle paths. To date, only the required local matching funds have been received. This was in the form of a transfer from the General Fund.
4. FEMA Assistance to Firefighters Grant Fund was established to administer a federal grant to purchase supplies and equipment for the Fire Department.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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

1. Sidewalk Construction Fund was established to account for the use of the proceeds of general obligation bonds issued during the 1997-1998 year, and has continued repairing, constructing and replacing a major portion of the City's sidewalks. This fund was closed during the current year.
2. Skateboard Park Construction Fund was established to account for the construction of a skateboard park facility at a city park, which will receive contributions from The City, the ABC Board, and private citizens.

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 FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2007 through February, 2008 apply to the fiscal year ended June 30, 2008.

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 2008-2009 fiscal year and are not shown as receivables at June 30, 2008. 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, 2008, because they are intended to finance the City's operations during the 2008-2009 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 only 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 FINANCIAL STATEMENTS

JUNE 30, 2008

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 26, 2007. Project ordinances are adopted for any new capital or grant projects and stay in effect for the life of the project(s). All annual appropriations lapse at fiscal year-end. Annual budgets are adopted for all funds, except capital projects funds and special revenue grant project funds. Capital projects funds and special revenue grant project funds adopt budgets which run the lengths of the projects. Enterprise capital project funds are consolidated with their respective operating funds for reporting purposes.

The annual budget is prepared on the modified accrual basis of accounting as required by General Statute 159-26(c), which is consistent with the accounting system used to record transactions. Budgetary control is maintained in all funds. Appropriations are made at the 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, 2008, 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, by the United States. 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 FINANCIAL STATEMENTS

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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.

Restricted Assets:

The unexpended proceeds of a \$10,000,000 construction loan from BB&T for the expansion of the Water Treatment Plant are classified as restricted assets for the enterprise fund, because their use is completely restricted to the purpose for which the loan was obtained.

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

NOTES TO THE FINANCIAL STATEMENTS

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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

NOTES TO THE FINANCIAL STATEMENTS

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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.

Compensated Absences:

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

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 FINANCIAL STATEMENTS

JUNE 30, 2008

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 2008-2009 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

All deposits of the City and the City of Hendersonville Board of Alcoholic Control are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. At June 30, 2008, the City's deposits had a carrying amount of \$10,431,194 and a bank balance of \$9,603,171. At June 30, 2008 the City's petty cash fund totaled \$2,575.

Of the bank balance at June 30, 2008, \$500,000 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 \$9,103,171 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, 2008, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2008, the ABC Board's deposits had a carrying amount of \$826,551 and a bank balance of \$822,712. Federal Depository Insurance covered \$100,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

As of June 30, 2008, the City had the following investments and maturities:

	Fair Value	Less than 6 months	6-12 months	1-3 years
US Government Agencies	\$ 8,105,024	\$ 1,441,828	\$ 3,533,315	\$3,129,881
NC Capital Management Trust -Cash Portfolio	<u>27,138,555</u>	<u>27,138,555</u>	_____	_____
Totals	<u>\$ 35,243,579</u>	<u>\$28,580,383</u>	<u>\$3,533,315</u>	<u>\$3,129,881</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 investments 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, 2008.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE 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 (20%) FHLMC (70%) and FNMA (10%).

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	\$ 120,006
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 4,184
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 181
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 39,608
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	\$ 41,524

Deferred / Unearned Revenues:

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General Fund)	\$ 161,941	\$ 587
Taxes receivable (Special Revenue Funds)	<u>9,401</u>	<u>0</u>
Totals	<u>\$ 171,342</u>	<u>\$ 587</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2008 was as follows:

Governmental activities:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 965,960	\$ 1,177,980		\$ 2,143,940
Construction	-	38,505		38,505
Total	<u>\$ 965,960</u>	<u>\$ 1,216,485</u>		<u>\$ 2,182,445</u>
Capital assets being depreciated:				
Buildings	\$ 7,885,860	\$ 61,691		\$ 7,947,551
Other improvements	2,474,849	49,137		2,523,986
Equipment	1,102,239	246,533	\$ 49,340	1,299,432
Vehicles	3,515,085	139,302	73,521	3,580,866
Infrastructure	<u>9,289,032</u>	<u>1,350,428</u>		<u>10,639,460</u>
Totals	<u>\$ 24,267,065</u>	<u>\$ 1,847,091</u>	<u>\$ 122,861</u>	<u>\$ 25,991,295</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 1,497,180	\$ 284,750		\$ 1,781,930
Other improvements	1,752,038	70,044		1,822,082
Equipment	854,444	86,625	\$ 48,720	892,349
Vehicles	1,622,309	280,579	48,622	1,854,266
Infrastructure	<u>2,996,277</u>	<u>301,770</u>		<u>3,298,047</u>
Totals	<u>\$ 8,722,248</u>	<u>\$ 1,023,768</u>	<u>\$ 97,342</u>	<u>\$ 9,648,674</u>
Assets being depreciated, net	<u>\$ 15,544,817</u>	<u>\$ 823,323</u>	<u>\$ 25,519</u>	<u>\$ 16,342,621</u>
Governmental-type capital assets, net	<u>\$ 16,510,777</u>			<u>\$ 18,525,066</u>
General Government		\$ 125,490		
Public Safety		406,220		
Transportation		402,827		
Parks		<u>89,231</u>		
Total depreciation expense		<u>\$ 1,023,768</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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Business-type activities:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Solid Waste Fund:				
Capital assets being depreciated:				
Vehicles	\$ 652,298			\$ 652,298
Less accumulated depreciation for:				
Vehicles	\$ 407,196	\$ 40,687		\$ 447,883
Solid Waste Fund:				
Capital assets, net	<u>\$ 245,102</u>			<u>\$ 204,415</u>
Water & Sewer Fund:				
Land	\$ 952,804			\$ 952,804
Construction	1,688,218	\$ 4,258,176		5,946,394
Total	<u>\$ 2,641,022</u>	<u>\$ 4,258,176</u>		<u>\$ 6,899,198</u>
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	22,839,660			22,839,660
Lines and related equipment	28,879,039	\$ 535,125		29,414,164
Equipment	823,636	60,425		884,061
Office furniture & equipment	5,195			5,195
Vehicles	1,258,783	119,589		1,378,372
Tanks and reservoirs	4,518,699	-		4,518,699
Totals	<u>\$ 59,977,751</u>	<u>\$ 715,139</u>		<u>\$ 60,692,890</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 315,193	\$ 55,091		\$ 370,284
Treatment facilities	5,637,486	725,994		6,363,480
Lines and related equipment	8,873,918	603,165		9,477,083
Equipment	594,661	46,002		640,663
Office furniture & equipment	4,328	866		5,194
Vehicles	787,285	106,619		893,904
Tanks and reservoirs	1,288,524	134,620		1,423,144
Totals	<u>\$ 17,501,395</u>	<u>\$ 1,672,357</u>		<u>\$ 19,173,752</u>
Assets being depreciated, net	<u>\$ 42,476,356</u>	<u>\$ (957,218)</u>		<u>\$ 41,519,138</u>
Water & Sewer Fund capital assets, net	<u>\$ 45,117,378</u>			<u>\$ 48,418,336</u>
Business-type capital assets, net	<u>\$ 45,362,480</u>			<u>\$ 48,622,751</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Capital asset activity for the ABC Board for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 263,794			\$ 263,794
Capital assets being depreciated:				
Buildings	\$ 598,578	\$ 1,976		\$ 600,554
Real estate improvements	191,216	13,744		204,960
Furniture and equipment	122,631	7,364		129,995
Vehicles	26,646			26,646
Computer equipment & software	28,782	2,836		31,618
Totals	<u>\$ 967,853</u>	<u>\$ 25,920</u>		<u>\$ 993,773</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 245,253	\$ 15,273		\$ 260,526
Real estate improvements	39,680	3,703		43,383
Furniture and equipment	80,485	6,867		87,352
Vehicles	19,985	5,329		25,314
Computer equipment & software	11,479	5,546		17,025
Totals	<u>\$ 396,882</u>	<u>\$ 36,718</u>		<u>\$ 433,600</u>
Assets being depreciated, net	<u>\$ 570,971</u>	<u>\$ (10,798)</u>		<u>\$ 560,173</u>
ABC Board capital assets, net	<u>\$ 834,765</u>			<u>\$ 823,967</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 FINANCIAL STATEMENTS

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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>2008</u>	<u>2007</u>	<u>2006</u>
City	\$386,388	\$363,511	\$344,080
ABC Board	\$ 43,255	\$ 41,756	\$ 37,920

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, 2008 were \$270,811, which consisted of \$84,620 from the City and \$186,191 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

All full-time City law enforcement officers are covered by the system. At December 31, 2007 the system's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>39</u>
Total	<u>41</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.

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	\$ 55,102
Interest on net pension obligation	19,732
Adjustment to annual required contribution	<u>(16,724)</u>
Annual pension cost	\$ 58,110
Contributions made	<u>(39,445)</u>
Increase in net pension obligation	\$ 18,665
Net pension obligation beginning of year	<u>272,167</u>
Net pension obligation end of year	<u>\$ 290,832</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	\$57,792	22.14%	\$ 230,273
6/30/2007	\$54,690	23.39%	\$272,167
6/30/2008	\$58,110	67.88%	\$290,832

Actuarial Information:

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%

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 \$5,390 for the State's contribution to the Fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008, the City made payments for post-retirement health benefit premiums of \$111,385. The City participates in a fully-funded health insurance program administered by United Health Care of North Carolina.

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-five (45) employees eligible for the life insurance benefit with the total liability equal to \$225,000. The City paid out \$5,000 in fiscal year 2007-2008.

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, 2008 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:	\$ 900,000
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:	\$790,000
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)	(28,564)	761,436
Total General Obligation Bonds		<u>\$1,661,416</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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.

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 2,450,000
Principal payment of \$116,667 and interest at 4.1% due each April 14 and October 14	

Enterprise Debt

Serviced by the Water & Sewer Fund

BB & T Highway Water Plant Expansion Loan	\$ 9,586,381
Fixed payment of \$608,680 due each March 19 and September 19 including principal and interest at 3.9%	

State of North Carolina Revolving Loan Fund Clean Water Bonds	907,920
Interest due each May 1 and November 1 at 3.43% Principal of \$100,880 due each May 1	

State of North Carolina Revolving Loan Fund Clean Water Bonds Wastewater Treatment Plant Expansion	9,275,000
Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	

Serviced by the Solid Waste Fund

First Citizens Bank sanitation truck loan	22,077
Fixed payment of \$11,308 due each June 30 and December 30 including principal and interest at 3.25%	

Total Notes Payable	<u>\$22,241,378</u>
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Capital Leases

The City is not a party to any capital leases.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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 June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 323,334	\$ 142,518	\$ 1,907,052	\$ 702,780
2010	323,333	128,542	1,913,511	633,816
2011	323,334	114,565	1,938,367	564,295
2012	323,333	100,588	1,719,597	493,852
2013	323,333	86,612	1,757,253	433,457
2014-2018	1,616,666	222,868	8,695,598	1,400,149
2019	<u>116,667</u>	<u>2,391</u>	<u>2,650,000</u>	<u>192,788</u>
Totals	<u>\$ 3,350,000</u>	<u>\$ 798,084</u>	<u>\$ 20,581,378</u>	<u>\$ 4,421,137</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Changes in long-term liabilities:

	Balance June 30, 2007	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 990,000		\$ 90,000	\$ 900,000	\$ 90,000
Notes payable	2,683,333		233,333	2,450,000	233,334
Compensated absences	451,233	244,399	262,213	433,419	130,000
Net pension obligation	<u>272,167</u>	<u>18,665</u>	<u> </u>	<u>290,832</u>	<u> </u>
Governmental activity long-term liabilities	<u>\$ 4,396,733</u>	<u>\$ 263,064</u>	<u>\$ 585,546</u>	<u>\$ 4,074,251</u>	<u>\$ 453,334</u>
Business-type activities:					
General obligation bonds	\$ 1,070,000		\$ 280,000	\$ 790,000	\$ 270,000
Less deferred amount for loss on defeasance	<u>(42,875)</u>	<u> </u>	<u>(14,311)</u>	<u>(28,564)</u>	<u>(14,292)</u>
Total bonds, net	\$ 1,027,125		\$ 265,689	\$ 761,436	\$ 255,708
Notes payable	11,120,362	\$ 10,000,000	1,328,985	19,791,377	1,637,052
Compensated absences	<u>152,736</u>	<u>146,656</u>	<u>118,703</u>	<u>180,689</u>	<u>55,000</u>
Business-type activities long-term liabilities	<u>\$ 12,300,223</u>	<u>\$ 10,146,656</u>	<u>\$ 1,713,377</u>	<u>\$ 20,733,502</u>	<u>\$ 1,947,760</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, 2008, was \$ 112,226,070. 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 FINANCIAL STATEMENTS

JUNE 30, 2008

C. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2008, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for the 21 employed firemen in the amount of \$5,390.

Also, the City has recognized as a revenue and an expenditure \$27,510 of on-behalf payments for fringe benefits, pension and other benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund, during the year ended June 30, 2008. Under State law, the local board of trustees for the fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their department.

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund/inter-entity balances as of June 30, 2008, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		None

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>\$ 40,000</u>

Interfund transfers of the City of Hendersonville for the year ended June 30, 2008 consist of the following:

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

General Fund to Solid Waste Fund \$540,790
 This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

General Fund to Capital Reserve Fund \$870,323
 This transfer was to move funds for future City-wide capital needs to the Capital Reserve Fund, to be available in future years.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Capital Reserve Fund to General Fund \$865,000
This transfer was to assist the General Fund in paying for certain City-wide capital improvements.

General Fund to Downtown Tax District Fund \$494,805
This transfer was to assist the Downtown Tax District Fund in paying for certain capital improvements in the Central Business District.

General Fund to Oklawaha Greenways Phase II Grant Fund \$202,000
This transfer was to satisfy local matching funds requirements for a State grant to extend existing pedestrian walkways and bicycle paths.

General Fund to Skateboard Park Capital Project Fund \$175,000
This transfer was to provide City funds to begin construction on a skateboard park facility at an existing City park.

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 \$55 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2007, and ending August 1, 2008. It contains a stop loss provision with coverage and claims administration provided by United Health Care. The plan is funded by employer contributions and charges to the various funds of the City based on actual claims expense, and by employee contributions for dependent coverage.

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

C. RELATED ORGANIZATION:

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

D. LAWSUITS:

The City is currently not a defendant in any lawsuits.

E. SALES AND USE TAX REBATE TO HENDERSON COUNTY:

In North Carolina, county governments can apportion local sales and use tax revenues received from the state among the municipalities located in the county, using either the per capita method, or the ad valorem method. The per capita method uses population statistics to determine how much sales and use tax revenue is apportioned to each municipality, with the tax not allocable to any municipality being allocated to the county. The ad valorem method uses the property tax levy rates of the municipalities, relative to the rate levied by the county, to apportion the sales and use tax revenues. Municipalities with a small or no tax levy would be apportioned a small amount, or none at all.

In recent years, several new municipalities have incorporated within Henderson County, with very low tax rates. This had the effect of diverting sales and use tax revenues away from the county. An agreement was reached between the county and the municipalities located in the county, under which the county would retain the per capita method of sales and use tax apportionment, if the municipalities would rebate to the county 50% of the difference between the two methods. During the 2007-2008 fiscal year, this resulted in payments from the City of Hendersonville to Henderson County totaling \$234,586. This agreement was rescinded in June, 2008. The City expects the net decrease in sales tax revenues in the 2008-2009, compared to the 2007-2008 year fiscal year to be approximately \$ 330,000.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

F. COMMITMENTS:

The City has active construction projects as of June 30, 2008. At yearend, the City's commitments with contractors was as follows:

<u>PROJECT</u>	<u>SPENT-TO-DATE</u>	<u>REMAINING COMMITMENT</u>
Recreation facilities-Skateboard Park	\$ 27,982	\$ 322,018
Water and sewer facilities:		
Water treatment plant expansion	\$4,042,590	\$14,313,710
Raw water intake	\$ 76,928	\$ 2,552,372

G. SUBSEQUENT EVENTS:

On I August 26, 2008 the City issued \$2,000,000 of general obligation bonds, to be used on the expansion and replacement of a major portion of the City's system of sidewalks.



**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)			
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%
2007	0	\$574,165	\$574,165	0	\$1,611,635	35.63%

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>
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%
2008	\$55,102	71.59%

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, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3 %
Includes inflation at	3.75 %



GENERAL FUND

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



CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B-1
Page 1 of 6

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

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Revenues:						
Ad valorem taxes:						
Taxes	\$ 6,234,000	\$ 6,234,000	\$ 6,405,025	\$ 171,025		\$ 5,595,996
Penalties and interest	25,000	25,000	37,210	12,210		41,578
Refunds	(5,000)	(5,000)	(1,990)	3,010		(15,159)
Total	\$ 6,254,000	\$ 6,254,000	\$ 6,440,245	\$ 186,245		\$ 5,622,415
Other taxes and licenses:						
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,675	\$ 675		\$ 2,510
Local vehicle rental tax	8,000	8,000	7,313	(687)		6,491
Privilege licenses	60,000	60,000	70,364	10,364		67,477
Total	\$ 70,000	\$ 70,000	\$ 80,352	\$ 10,352		\$ 76,478
Unrestricted intergovernmental:						
Local option sales taxes	\$ 2,810,000	\$ 2,810,000	\$ 2,821,079	\$ 11,079		\$ 2,841,637
Less rebated to Henderson County	(234,590)	(234,590)	(234,586)			(84,472)
Payments in lieu of taxes	17,000	17,000	17,846	846		17,846
Utility franchise tax	660,000	660,000	503,273	(156,727)		435,676
Video programming fee	75,000	75,000	127,173	52,173		57,338
Telecommunications sales tax			335,217	335,217		297,557
Beer and wine tax	44,000	44,000	57,575	13,575		55,295
ABC profit distribution	70,000	70,000	110,000	40,000		110,000
Court fees	2,500	2,500	6,081	3,581		7,780
Total	\$ 3,443,910	\$ 3,443,910	\$ 3,743,658	\$ 299,748		\$ 3,738,657
Restricted intergovernmental:						
Powell Bill allocation	\$ 380,000	\$ 380,000	\$ 436,661	\$ 56,661		\$ 383,053
D O T Right-of-Way reimbursement			7,450	7,450		
Drug forfeitures			28,296	28,296		
ABC law enforcement services	40,000	40,000	40,000			40,000
On-behalf-of payments:						
Firemen's Relief			32,900	32,900		3,976
School Resource Officer	49,720	49,720	43,088	(6,632)		45,406
Total	\$ 469,720	\$ 469,720	\$ 588,395	\$ 118,675		\$ 472,435

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B-1
Page 2 of 6

	2008				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original	Final			
Permits and fees:					
Building permits and inspection fees	\$ 17,600	\$ 17,600	\$ 31,310	\$ 13,710	\$ 36,647
Cable TV franchise (local)			4,200	4,200	106,996
Total	\$ 17,600	\$ 17,600	\$ 35,510	\$ 17,910	\$ 143,643
Sales and services:					
Recreation department fees	\$ 21,500	\$ 21,500	\$ 25,308	\$ 3,808	\$ 26,279
Patton Pool revenues	42,000	42,000	93,839	51,839	75,501
Parking revenues	40,000	40,000	70,791	30,791	73,357
Alarm fees	5,000	5,000	3,825	(1,175)	3,525
Cemetery lots	10,000	10,000	23,450	13,450	21,350
Total	\$ 118,500	\$ 118,500	\$ 217,213	\$ 98,713	\$ 200,012
Investment earnings	\$ 250,000	\$ 250,000	\$ 717,518	\$ 467,518	\$ 919,238
Miscellaneous:					
Insurance proceeds			\$ 23,102	\$ 23,102	
Parking violations	\$ 19,000	\$ 19,000	35,275	16,275	\$ 35,847
Sales of property	600	600	298	(302)	5,406
Other	6,750	6,750	22,655	15,905	24,918
Total	\$ 26,350	\$ 26,350	\$ 81,330	\$ 54,980	\$ 66,171
Total revenues	\$ 10,650,080	\$ 10,650,080	\$ 11,904,221	\$ 1,254,141	\$ 11,239,049

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Expenditures:						
General government:						
Governing body:						
Salaries and employee benefits	\$ 69,890	\$ 69,890	\$ 58,869	\$ 11,021		\$ 53,899
Operating expenses	39,450	44,450	36,029	8,421		19,284
Dues and appropriations	139,080	161,311	153,803	7,508		102,871
Reimbursement-enterprise fund	(34,900)	(34,900)	(29,450)	(5,450)		(36,484)
Total	\$ 213,520	\$ 240,751	\$ 219,251	\$ 21,500		\$ 139,570
Administration:						
Salaries and employee benefits	\$ 313,690	\$ 386,790	\$ 364,512	\$ 22,278		\$ 290,066
Operating expenses	42,600	42,600	39,438	3,162		29,370
Capital outlay				0		15,900
Reimbursement-enterprise fund	(150,600)	(176,900)	(180,297)	3,397		(130,358)
Total	\$ 205,690	\$ 252,490	\$ 223,653	\$ 28,837		\$ 204,978
Finance:						
Salaries and employee benefits	\$ 727,030	\$ 730,730	\$ 719,454	\$ 11,276		\$ 676,834
Operating expenses	73,700	78,000	63,853	14,147		63,438
Reimbursement-enterprise fund	(461,900)	(463,200)	(523,239)	60,039		(493,479)
Total	\$ 338,830	\$ 345,530	\$ 260,068	\$ 85,462		\$ 246,793
City engineer:						
Salaries and employee benefits	\$ 343,370	\$ 343,370	\$ 335,166	\$ 8,204		\$ 318,834
Operating expenses	25,150	25,150	18,522	6,628		19,692
Reimbursement-enterprise fund	(171,710)	(171,710)	(173,767)	2,057		(168,924)
Total	\$ 196,810	\$ 196,810	\$ 179,921	\$ 16,889		\$ 169,602
Information technology:						
Salaries and employee benefits	\$ 93,830	\$ 93,830	\$ 91,105	\$ 2,725		\$ 86,899
Operating expenses	219,670	251,680	226,146	25,534		160,390
Capital outlay	90,000	58,900	56,048	2,852		5,477
Reimbursement-enterprise fund	(67,580)	(67,580)	(52,744)	(14,836)		(49,816)
Total	\$ 335,920	\$ 336,830	\$ 320,555	\$ 16,275		\$ 202,950
Legal department:						
Salaries and employee benefits	\$ 133,330	\$ 133,330	\$ 132,396	\$ 934		\$ 125,871
Operating expenses	21,670	21,670	10,480	11,190		6,902
Reimbursement-enterprise fund	(66,780)	(66,780)	(80,833)	14,053		(74,130)
Total	\$ 88,220	\$ 88,220	\$ 62,043	\$ 26,177		\$ 58,643

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Fleet maintenance:						
Salaries and employee benefits	\$ 255,250	\$ 255,250	\$ 217,355	\$ 37,895		\$ 242,741
Operating expenses	105,040	112,240	108,138	4,102		101,094
Capital outlay	54,000	54,000	12,555	41,445		
Reimbursement-other departments	(56,000)	(63,200)	(72,659)	9,459		(66,041)
Reimbursement-enterprise fund	(38,000)	(38,000)	(23,445)	(14,555)		(26,951)
Total	\$ 320,290	\$ 320,290	\$ 241,944	\$ 78,346		\$ 250,843
Public buildings:						
Salaries and employee benefits	\$ 190,510	\$ 206,510	\$ 197,047	\$ 9,463		\$ 172,532
Operating expenses	409,650	337,875	294,903	42,972		228,906
Capital outlay		55,775	48,775	7,000		20,743
Total	\$ 600,160	\$ 600,160	\$ 540,725	\$ 59,435		\$ 422,181
Total general government	\$ 2,299,440	\$ 2,381,081	\$ 2,048,160	\$ 332,921		\$ 1,695,560
Public safety:						
Police:						
Salaries and employee benefits	\$ 2,945,920	\$ 2,960,920	\$ 2,858,415	\$ 102,505		\$ 2,653,108
Operating expenses	497,570	489,270	473,909	15,361		465,685
Capital outlay	145,000	146,415	146,303	112		196,883
Total	\$ 3,588,490	\$ 3,596,605	\$ 3,478,627	\$ 117,978		\$ 3,315,676
Fire:						
Salaries and employee benefits	\$ 1,117,620	\$ 1,216,320	\$ 1,201,997	\$ 14,323		\$ 1,050,489
Operating expenses	142,930	145,190	114,102	31,088		102,291
Capital outlay				0		392,179
On-behalf payments:						
Firemen's Relief fund			32,900	(32,900)		3,976
Contract coverage-Vol. departments	300,000	300,000	328,033	(28,033)		220,708
Total	\$ 1,560,550	\$ 1,661,510	\$ 1,677,032	\$ (15,522)		\$ 1,769,643
Zoning:						
Salaries and employee benefits	\$ 113,570	\$ 113,470	\$ 100,186	\$ 13,284		\$ 106,812
Operating expenses	42,700	55,550	32,616	22,934		31,667
Total	\$ 156,270	\$ 169,020	\$ 132,802	\$ 36,218		\$ 138,479
Planning:						
Salaries and employee benefits	\$ 158,590	\$ 158,590	\$ 158,024	\$ 566		\$ 145,632
Operating expenses	194,920	204,900	110,378	94,522		56,670
Total	\$ 353,510	\$ 363,490	\$ 268,402	\$ 95,088		\$ 202,302
Total public safety	\$ 5,658,820	\$ 5,790,625	\$ 5,556,863	\$ 233,762		\$ 5,426,100

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Transportation:						
Administration:						
Salaries and employee benefits	\$ 232,070	\$ 238,070	\$ 235,340	\$ 2,730		\$ 212,609
Operating expenses	49,250	56,110	45,592	10,518		51,563
Capital outlay		342,000	174,220	167,780		29,986
Total	\$ 281,320	\$ 636,180	\$ 455,152	\$ 181,028		\$ 294,158
Streets and highways:						
Salaries and employee benefits	\$ 387,690	\$ 390,190	\$ 337,141	\$ 53,049		\$ 291,549
Operating expenses	172,300	226,600	212,363	14,237		204,743
Capital outlay	270,000	443,700	187,973	255,727		6,787
Reimbursement-enterprise fund	(40,000)	(72,500)	(70,056)	(2,444)		(63,479)
Total	\$ 789,990	\$ 987,990	\$ 667,421	\$ 320,569		\$ 439,600
State Street Aid allocation:						
Operating expenses	\$ 115,200	\$ 406,812	\$ 307,337	\$ 99,475		\$ 143,372
Capital outlay	431,000	231,000	6,130	224,870		534,347
Total	\$ 546,200	\$ 637,812	\$ 313,467	\$ 324,345		\$ 677,719
Traffic engineering:						
Salaries and employee benefits	\$ 128,010	\$ 128,010	\$ 118,763	\$ 9,247		\$ 114,780
Operating expenses	210,350	222,196	225,463	(3,267)		232,426
Total	\$ 338,360	\$ 350,206	\$ 344,226	\$ 5,980		\$ 347,206
Total transportation	\$ 1,955,870	\$ 2,612,188	\$ 1,780,266	\$ 831,922		\$ 1,758,683
Park maintenance, drainage and lot clearing:						
Salaries and employee benefits	\$ 379,290	\$ 382,190	\$ 369,072	\$ 13,118		\$ 349,912
Operating expenses	52,000	60,632	52,431	8,201		43,568
Capital outlay	430,000	906,468	662,299	244,169		75,568
Total park maintenance, drainage, and lot clearing	\$ 861,290	\$ 1,349,290	\$ 1,083,802	\$ 265,488		\$ 469,048
Cultural and recreational:						
Patton Park Pool:						
Salaries and employee benefits	\$ 114,500	\$ 114,500	\$ 127,052	\$ (12,552)		\$ 41,008
Operating expenses	83,700	83,700	93,812	(10,112)		120,679
Total cultural and recreational	\$ 198,200	\$ 198,200	\$ 220,864	\$ (22,664)		\$ 161,687

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			Variance with Final Budget Positive (Negative)	2007 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Debt service:					
Principal	\$ 323,350	\$ 323,350	\$ 323,333	\$ 17	\$ 323,333
Interest and fees	188,200	188,200	189,739	(1,539)	214,108
Total debt service	<u>\$ 511,550</u>	<u>\$ 511,550</u>	<u>\$ 513,072</u>	<u>\$ (1,522)</u>	<u>\$ 537,441</u>
Total expenditures	<u>\$ 11,485,170</u>	<u>\$ 12,842,934</u>	<u>\$ 11,203,027</u>	<u>\$ 1,639,907</u>	<u>\$ 10,048,519</u>
Revenues over (under) expenditures	<u>\$ (835,090)</u>	<u>\$ (2,192,854)</u>	<u>\$ 701,194</u>	<u>\$ 2,894,048</u>	<u>\$ 1,190,530</u>
Other financing sources / (uses)					
Transfers from (to) other funds:					
Enterprise funds:					
Solid Waste Fund	\$ (540,790)	\$ (540,790)	\$ (540,790)		\$ (412,660)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(875,880)
Capital Reserve Fund	865,000	865,000	865,000		1,527,160
Capital Reserve Fund		(870,323)	(870,323)		(743,516)
Downtown Tax District Fund		(494,805)	(494,805)		
Greenways Phase II Grant Fund		(202,000)	(202,000)		
SkatePark Capital Project Fund		(175,000)	(175,000)		
Contingencies budgeted	(150,000)	(51,300)		\$ 51,300	
Fund balance appropriated	761,760	3,762,952		(3,762,952)	
Total other financing sources (uses)	<u>\$ 835,090</u>	<u>\$ 2,192,854</u>	<u>\$ (1,518,798)</u>	<u>\$ (3,711,652)</u>	<u>\$ (504,896)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (817,604)</u>	<u>\$ (817,604)</u>	<u>\$ 685,634</u>
Fund balances:					
Beginning of year, July 1			8,741,714		8,056,080
End of year, June 30			<u>\$ 7,924,110</u>		<u>\$ 8,741,714</u>

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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



SPECIAL REVENUE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	SPECIAL	REVENUE	FUNDS
	Downtown Tax District Fund		Seventh Avenue Tax District Fund
ASSETS			
Cash and cash equivalents	\$ 189,383		\$ 15,369
Taxes receivable (net)	8,156		1,245
Sales tax refundable	2,023		
Accounts receivable	71		47
Total Assets	\$ 199,633		\$ 16,661
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 39,869		
Deferred revenues	8,156		\$ 1,245
Total Liabilities	\$ 48,025		\$ 1,245
Fund balances:			
Reserved by State statute	\$ 2,094		\$ 47
Unreserved:			
Designated for subsequent year's expenditures	107,190		14,400
Undesignated	42,324		969
Total Fund balances	\$ 151,608		\$ 15,416
Total Liabilities and Fund balances	\$ 199,633		\$ 16,661

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Exhibit C-1

SPECIAL	REVENUE	FUNDS	CAPITAL PROJECT FUND	
Oklawaha Greenway Phase II Grant Fund		Total	Skatepark Construction Fund	Total Nonmajor Governmental Funds
\$ 191,478		\$ 396,230 9,401 2,023 118	\$ 217,030	\$ 613,260 9,401 2,023 118
\$ 191,478		\$ 407,772	\$ 217,030	\$ 624,802
		\$ 39,869 9,401	\$ 10,012	\$ 49,881 9,401
\$ 0		\$ 49,270	\$ 10,012	\$ 59,282
		\$ 2,141		\$ 2,141
\$ 191,478		121,590 234,771	\$ 207,018	121,590 441,789
\$ 191,478		\$ 358,502	\$ 207,018	\$ 565,520
\$ 191,478		\$ 407,772	\$ 217,030	\$ 624,802

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE			FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Oklawaha Greenways Phase II Grant Fund	F E M A Assistance to Firefighters Grant Fund
Revenues:				
Ad valorem taxes	\$ 242,205	\$ 9,220	-	
Restricted intergovernmental Contributions				\$ 110,878
Investment earnings	<u>3,372</u>	<u>516</u>		
Total Revenues	<u>\$ 245,577</u>	<u>\$ 9,736</u>	<u>0</u>	<u>\$ 110,878</u>
Expenditures:				
Public safety				\$ 110,878
Recreation			\$ 10,522	
Transportation				
Economic and physical development	<u>\$ 897,933</u>	<u>\$ 3,333</u>		
Total Expenditures	<u>\$ 897,933</u>	<u>\$ 3,333</u>	<u>\$ 10,522</u>	<u>\$ 110,878</u>
Revenues over (under) expenditures	<u>\$ (652,356)</u>	<u>\$ 6,403</u>	<u>\$ (10,522)</u>	<u>\$ 0</u>
Other financing sources:				
Transfer in - Capital Reserve Fund	\$ 258,900			
Transfer in - General Fund	<u>494,805</u>		<u>\$ 202,000</u>	
Total other financing sources	<u>\$ 753,705</u>		<u>\$ 202,000</u>	
Revenues and other financing sources over / (under) expenditures	<u>\$ 101,349</u>	<u>\$ 6,403</u>	<u>\$ 191,478</u>	<u>\$ 0</u>
Fund balances:				
Beginning of year, July 1	<u>50,259</u>	<u>9,013</u>		
End of year, June 30	<u>\$ 151,608</u>	<u>\$ 15,416</u>	<u>\$ 191,478</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, 2008

Exhibit C-2

SPECIAL REVENUE FUNDS	CAPITAL	PROJECT	FUNDS	Total Nonmajor Governmental Funds
Total	Sidewalk Construction Fund	Skateboard Park Construction Fund	Total	
\$ 251,425 110,878			-	\$ 251,425 110,878
<u>3,888</u>	\$ 10,406	\$ 60,000	\$ 60,000 10,406	60,000 14,294
<u>\$ 366,191</u>	<u>\$ 10,406</u>	<u>\$ 60,000</u>	<u>\$ 70,406</u>	<u>\$ 436,597</u>
\$ 110,878 10,522				\$ 110,878 38,504
<u>901,266</u>	\$ 279,522	\$ 27,982	\$ 27,982 279,522	279,522 901,266
<u>\$ 1,022,666</u>	<u>\$ 279,522</u>	<u>\$ 27,982</u>	<u>\$ 307,504</u>	<u>\$ 1,330,170</u>
<u>\$ (656,475)</u>	<u>\$ (269,116)</u>	<u>\$ 32,018</u>	<u>\$ (237,098)</u>	<u>\$ (893,573)</u>
\$ 258,900 696,805				\$ 258,900 871,805
<u>955,705</u>		\$ 175,000	\$ 175,000	
		<u>175,000</u>	<u>175,000</u>	<u>1,130,705</u>
\$ 299,230	\$ (269,116)	\$ 207,018	\$ (62,098)	\$ 237,132
<u>59,272</u>	<u>269,116</u>		<u>269,116</u>	<u>328,388</u>
<u>\$ 358,502</u>	<u>\$ 0</u>	<u>\$ 207,018</u>	<u>\$ 207,018</u>	<u>\$ 565,520</u>

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, 2008

Exhibit C-3

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

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Revenues:						
Ad valorem taxes:						
Taxes	\$ 231,150	\$ 231,150	\$ 240,459	\$ 9,309		\$ 170,378
Penalties and interest	100	100	1,746	1,646		1,645
Refunds	(100)	(100)	0	100		0
Total	\$ 231,150	\$ 231,150	\$ 242,205	\$ 11,055		\$ 172,023
Investment earnings	\$ 450	\$ 450	\$ 3,371	\$ 2,921		\$ 3,976
Total revenues	\$ 231,600	\$ 231,600	\$ 245,576	\$ 13,976		\$ 175,999
Expenditures:						
Economic and physical development:						
Operating expenses	\$ 212,470	\$ 264,320	\$ 236,192	\$ 28,128		\$ 181,300
Capital outlay	331,700	774,655	661,741	112,914		42,400
Total expenditures	\$ 544,170	\$ 1,038,975	\$ 897,933	\$ 141,042		\$ 223,700
Revenues over (under) expenditures	\$ (312,570)	\$ (807,375)	\$ (652,357)	\$ (127,066)		\$ (47,701)
Other financing sources						
Transfer from General Fund		\$ 494,805	\$ 494,805			
Transfer from Capital Reserve Fund	\$ 258,900	258,900	258,900			
Fund balance appropriated	53,670	53,670		\$ (53,670)		
Total other financing sources	\$ 312,570	\$ 807,375	\$ 753,705	\$ (53,670)		\$ 0
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 101,348	\$ (180,736)		\$ (47,701)
Fund balances:						
Beginning of year, July 1			50,259			97,960
End of year, June 30			<u>\$ 151,607</u>			<u>\$ 50,259</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, 2008

Exhibit C-4

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

	2008			2007
	Original and Final Budgeted Amounts	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 7,850	\$ 9,070	\$ 1,220	\$ 8,692
Penalties and interest	50	150	100	186
Total	\$ 7,900	\$ 9,220	\$ 1,320	\$ 8,878
Investment earnings	\$ 200	\$ 516	\$ 316	\$ 568
Total revenues	\$ 8,100	\$ 9,736	\$ 1,636	\$ 9,446
Expenditures:				
Economic and physical development:				
Operating expenses	\$ 3,800	\$ 3,333	\$ 467	\$ 3,477
Total expenditures	\$ 3,800	\$ 3,333	\$ 467	\$ 3,477
Revenues over/(under) expenditures	\$ 4,300	\$ 6,403	\$ 2,103	\$ 5,969
Other financing (uses)				
Appropriated fund balance (increase)	(4,300)		4,300	
Total other financing (uses)	\$ (4,300)	\$ 0	\$ 4,300	\$ 0
Excess of revenues and other financing (uses) over expenditures	\$ 0	6,403	\$ 6,403	\$ 5,969
Fund balance:				
Beginning of year, July 1		9,013		3,044
End of year, June 30		\$ 15,416		\$ 9,013

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
OKLAWAHA GREENWAY PHASE 11 PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C-5

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Federal grant	\$ 400,000				\$ (400,000)
Total revenues	\$ 400,000	\$ 0	\$ 0	\$ 0	\$ (400,000)
Expenditures :					
Recreation:					
Capital outlay-					
Bicycle / pedestrian path	\$ 602,000		\$ 10,522	\$ 10,522	\$ 591,478
Total expenditures	\$ 602,000	\$ 0	\$ 10,522	\$ 10,522	\$ 591,478
Revenues over (under) expenditures	\$ (202,000)	\$ 0	\$ (10,522)	\$ (10,522)	\$ 191,478
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 202,000		\$ 202,000	\$ 202,000	
Total other financing sources	\$ 202,000	\$ 0	\$ 202,000	\$ 202,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 191,478	\$ 191,478	\$ 191,478
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 191,478		

CITY OF HENDERSONVILLE, NORTH CAROLINA
 F E M A ASSISTANCE TO FIREFIGHTERS GRANT
 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, 2008

Exhibit C-6

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Federal grant	\$ 107,065		\$ 99,599	\$ 99,599	\$ (7,466)
Local matching contribution	5,635		11,279	11,279	5,644
Total revenues	<u>\$ 112,700</u>	<u>\$ 0</u>	<u>\$ 110,878</u>	<u>\$ 110,878</u>	<u>\$ (1,822)</u>
Expenditures:					
Public safety - Fire department					
Supplies	\$ 85,700		\$ 84,852	\$ 84,852	\$ 848
Capital outlay - equipment	27,000		26,026	26,026	974
Total expenditures	<u>\$ 112,700</u>	<u>\$ 0</u>	<u>\$ 110,878</u>	<u>\$ 110,878</u>	<u>\$ 1,822</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, 2008

Exhibit C-7

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

	2008				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original	Final			
Revenues:					
Investment earnings	\$ 10,000	\$ 10,000	\$ 149,927	\$ 139,927	\$ 142,779
Total revenues	\$ 10,000	\$ 10,000	\$ 149,927	\$ 139,927	\$ 142,779
Other financing sources (uses):					
Transfer from General Fund		\$ 870,323	\$ 870,323		\$ 743,516
Transfer (to) General Fund	\$ (865,000)	(865,000)	(865,000)		(1,527,160)
Transfer (to) Downtown Fund	(258,900)	(258,900)	(258,900)		
Appropriated fund balance	1,113,900	243,577		\$ (243,577)	
Total other financing sources (uses)	\$ (10,000)	\$ (10,000)	\$ (253,577)	\$ (243,577)	\$ (783,644)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (103,650)	\$ (103,650)	\$ (640,865)
Fund balance:					
Beginning of year, July 1			2,276,112		2,916,977
End of year, June 30			<u>\$ 2,172,462</u>		<u>\$ 2,276,112</u>

CAPITAL PROJECTS FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 SIDEWALK CONSTRUCTION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D-1

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State grant	\$ 192,000	\$ 192,000		\$ 192,000	
Investment earnings	35,000	213,630	\$ 10,406	224,036	\$ 189,036
Total revenues	\$ 227,000	\$ 405,630	\$ 10,406	\$ 416,036	\$ 189,036
Expenditures :					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,047,000	\$ 1,956,514	\$ 279,522	\$ 2,236,036	\$ (189,036)
Total expenditures	\$ 2,047,000	\$ 1,956,514	\$ 279,522	\$ 2,236,036	\$ (189,036)
Revenues over (under) expenditures	\$ (1,820,000)	\$ (1,550,884)	\$ (269,116)	\$ (1,820,000)	\$ 0
Other financing sources :					
Transfer-General Fund	\$ 20,000	\$ 20,000		\$ 20,000	
General obligation bonds issued	1,800,000	1,800,000		1,800,000	
Total other financing sources	\$ 1,820,000	\$ 1,820,000		\$ 1,820,000	
Revenues and other financing sources over expenditures	\$ 0	\$ 269,116	\$ (269,116)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			269,116		
End of year, June 30			<u>\$ 0</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 SKATEBOARD PARK CONSTRUCTION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D-2

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Private grant	\$ 25,000		10,000	\$ 10,000	(15,000)
Private contributions	50,000				(50,000)
ABC Board contribution	100,000		\$ 50,000	50,000	(50,000)
Total revenues	\$ 175,000	\$ 0	\$ 60,000	\$ 60,000	\$ (115,000)
Expenditures :					
Recreation:					
Capital outlay- Skateboard park construction	\$ 350,000		\$ 27,982	\$ 27,982	\$ 322,018
Total expenditures	\$ 350,000	\$ 0	\$ 27,982	\$ 27,982	\$ 322,018
Revenues over (under) expenditures	\$ (175,000)	\$ 0	\$ 32,018	\$ 32,018	\$ 207,018
Other financing sources :					
Transfer-General Fund	\$ 175,000		\$ 175,000	\$ 175,000	
Total other financing sources	\$ 175,000	\$ 0	175,000	\$ 175,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 207,018	\$ 207,018	\$ 207,018
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			<u>\$ 207,018</u>		



ENTERPRISE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

Exhibit E-1

	2008				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Residential	\$ 395,000	\$ 395,000	\$ 432,656	\$ 37,656	\$ 425,197
Commercial	110,000	110,000	115,380	5,380	114,323
Total operating revenues	\$ 505,000	\$ 505,000	\$ 548,036	\$ 43,036	\$ 539,520
Non-operating revenues:					
Investment earnings			\$ 376	\$ 376	
Insurance proceeds			2,500	2,500	\$ 2,387
Transfer from General Fund	\$ 418,320	\$ 418,320	540,790	122,470	412,660
Total non-operating revenues	\$ 418,320	\$ 418,320	\$ 543,666	\$ 125,346	\$ 415,047
Total revenues	\$ 923,320	\$ 923,320	\$ 1,091,702	\$ 168,382	\$ 954,567
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	\$ 428,350	\$ 428,350	\$ 399,516	\$ 28,834	\$ 390,631
Landfill tipping fees	236,000	236,020	207,162	28,858	215,648
Other departmental expenses	150,800	140,280	113,560	26,720	106,349
Contracted services	196,250	206,750	198,417	8,333	192,305
Total	\$ 1,011,400	\$ 1,011,400	\$ 918,655	\$ 92,745	\$ 904,933
Debt service:					
Principal	\$ 21,400	\$ 21,400	\$ 21,377	\$ 23	\$ 20,698
Interest	1,240	1,240	1,240		1,918
Total	\$ 22,640	\$ 22,640	\$ 22,617	\$ 23	\$ 22,616
Total expenditures	\$ 1,034,040	\$ 1,034,040	\$ 941,272	\$ 92,768	\$ 927,549
Revenues over (under) expenditures	\$ (110,720)	\$ (110,720)	\$ 150,430	\$ 261,150	\$ 27,018
Other financing sources:					
Fund balance appropriated	\$ 110,720	\$ 110,720		\$ (110,720)	
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 150,430	\$ 150,430	\$ 27,018
Reconciliation of modified accrual basis to full accrual basis:					
Payment of debt principal			21,377		20,698
(Decrease)/increase in accrued revenues			(603)		6,800
(Increase) in allowance for uncollectible accounts			(6,042)		(18,237)
Depreciation			(40,687)		(41,589)
(Increase) / decrease in compensated absences			(4,536)		205
Change in net assets			\$ 119,939		\$ (5,105)

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

Exhibit E-2
Page 1 of 3

	2008				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	\$ 7,207,600	\$ 7,207,600	\$ 7,649,591	\$ 441,991	\$ 6,991,661
Sewer charges	4,117,500	4,117,500	4,106,451	(11,049)	4,162,151
Water and sewer taps	266,000	266,000	251,809	(14,191)	304,635
Other operating revenues:					
System development charges	665,000	683,700	757,953	74,253	1,330,905
Other	61,800	61,800	105,389	43,589	80,826
Total operating revenues	<u>\$ 12,317,900</u>	<u>\$ 12,336,600</u>	<u>\$ 12,871,193</u>	<u>\$ 534,593</u>	<u>\$ 12,870,178</u>
Non-operating revenues:					
Investment earnings	\$ 260,000	\$ 260,000	\$ 867,850	\$ 607,850	\$ 699,364
Transfer from General Fund	100,880	100,880	100,880		875,880
Sale of fixed assets					100
Other non-operating revenues	20,100	20,100	4,680	(15,420)	5,678
Total non-operating revenues	<u>\$ 380,980</u>	<u>\$ 380,980</u>	<u>\$ 973,410</u>	<u>\$ 592,430</u>	<u>\$ 1,581,022</u>
Total revenues	<u>\$ 12,698,880</u>	<u>\$ 12,717,580</u>	<u>\$ 13,844,603</u>	<u>\$ 1,127,023</u>	<u>\$ 14,451,200</u>
Expenditures:					
Administration:					
Salaries and employee benefits	\$ 156,110	\$ 156,921	\$ 155,464	\$ 1,457	\$ 143,496
Contracted services	130,000	134,808	110,769	24,039	129,888
Engineering department expense	171,710	171,710	173,767	(2,057)	168,924
Supplies	12,100	12,165	12,110	55	11,096
Other departmental expenses	317,700	317,076	334,397	(17,321)	298,648
Total	<u>\$ 787,620</u>	<u>\$ 792,680</u>	<u>\$ 786,507</u>	<u>\$ 6,173</u>	<u>\$ 752,052</u>
Business operations:					
Salaries and employee benefits	\$ 461,900	\$ 461,900	\$ 523,239	\$ (61,339)	\$ 493,479
Supplies	77,000	91,938	52,609	39,329	56,015
Other departmental expenses	265,480	343,922	257,975	85,947	284,823
Total	<u>\$ 804,380</u>	<u>\$ 897,760</u>	<u>\$ 833,823</u>	<u>\$ 63,937</u>	<u>\$ 834,317</u>
Operations and maintenance:					
Salaries and employee benefits	\$ 349,370	\$ 357,223	\$ 303,077	\$ 54,146	\$ 280,378
Utilities	160,000	169,498	173,666	(4,168)	162,289
Supplies	34,250	30,357	25,105	5,252	28,155
Other departmental expenses	169,900	158,419	138,292	20,127	169,320
Total	<u>\$ 713,520</u>	<u>\$ 715,497</u>	<u>\$ 640,140</u>	<u>\$ 75,357</u>	<u>\$ 640,142</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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

Exhibit E-2
Page 2 of 3

	2008					2007 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Water treatment plant:						
Salaries and employee benefits	\$ 517,360	\$ 517,360	\$ 513,542	\$ 3,818		\$ 485,244
Contracted services	442,500	526,704	535,256	(8,552)		88,050
Utilities	225,000	249,682	249,406	276		231,492
Chemicals	300,000	258,588	265,948	(7,360)		275,384
Supplies	67,300	77,134	65,522	11,612		53,971
Other departmental expenses	102,500	134,461	107,660	26,801		87,603
Total	\$ 1,654,660	\$ 1,763,929	\$ 1,737,334	\$ 26,595		\$ 1,221,744
Field operations:						
Salaries and employee benefits	\$ 616,300	\$ 614,998	\$ 614,158	\$ 840		\$ 536,248
Supplies	40,500	50,200	51,988	(1,788)		41,149
Other departmental expenses	83,600	118,378	90,873	27,505		76,509
Total	\$ 740,400	\$ 783,576	\$ 757,019	\$ 26,557		\$ 653,906
Water line maintenance:						
Salaries and employee benefits	\$ 610,240	\$ 629,818	\$ 627,370	\$ 2,448		\$ 567,973
Contracted services	45,000	45,244	32,196	13,048		5,172
Issues from inventory	475,000	521,487	564,573	(43,086)		528,217
Supplies	102,000	102,477	101,870	607		102,685
Other departmental expenses	200,900	331,663	137,138	194,525		130,940
Total	\$ 1,433,140	\$ 1,630,689	\$ 1,463,147	\$ 167,542		\$ 1,334,987
Waste treatment plant:						
Salaries and employee benefits	\$ 513,010	\$ 513,010	\$ 496,467	\$ 16,543		\$ 471,335
Contracted services	27,000	27,000	22,754	4,246		21,689
Sludge management	300,000	353,440	264,657	88,783		275,643
Utilities	250,000	250,000	243,336	6,664		224,000
Supplies	58,900	58,900	45,948	12,952		47,150
Other departmental expenses	138,500	148,094	102,226	45,868		90,222
Total	\$ 1,287,410	\$ 1,350,444	\$ 1,175,388	\$ 175,056		\$ 1,130,039
Sewer line maintenance:						
Salaries and employee benefits	\$ 449,100	\$ 445,660	\$ 438,871	\$ 6,789		\$ 400,786
Contracted services	517,000	519,515	96,554	422,961		117,756
Issues from inventory	45,000	45,000	35,408	9,592		26,897
Supplies	91,000	86,418	77,366	9,052		80,280
Other departmental expenses	56,400	63,715	49,081	14,634		48,815
Total	\$ 1,158,500	\$ 1,160,308	\$ 697,280	\$ 463,028		\$ 674,534

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original	Final			
Budgetary appropriations:					
Interest	\$ 839,660	\$ 839,660	\$ 601,281	\$ 238,379	\$ 446,048
Debt principal	1,987,910	1,987,910	1,587,608	400,302	1,437,246
Capital outlay:					
Equipment	1,358,000	2,472,368	320,496	2,151,872	243,687
Water lines	5,564,500	5,657,786	471,594	5,186,192	323,138
Sewer lines	200,000	216,610	33,555	183,055	967,374
Total	\$ 9,950,070	\$ 11,174,334	\$ 3,014,534	\$ 8,159,800	\$ 3,417,493
Total expenditures	\$ 18,529,700	\$ 20,269,217	\$ 11,105,172	\$ 9,164,045	\$ 10,659,214
Revenues over (under) expenditures	\$ (5,830,820)	\$ (7,551,637)	\$ 2,739,431	\$ 10,291,068	\$ 3,791,986
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Transfers to Capital Projects Funds	(6,000,000)	(10,292,650)	\$ (2,000,000)	8,292,650	
Fund balance appropriated	12,030,820	18,044,287		(18,044,287)	
Total other financing sources (uses)	\$ 5,830,820	\$ 7,551,637	\$ (2,000,000)	\$ (9,551,637)	\$ 0
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 739,431	\$ 739,431	\$ 3,791,986
Reconciliation of modified accrual basis to full accrual basis:					
Increase) / decrease in accrued revenues			(27,090)		207,569
(Increase) / decrease in allowance for doubtful accounts			(2,305)		29,014
Interest earned in capital projects funds			198,227		
Payment of debt principal			1,587,608		1,437,246
Capital outlay			825,645		1,534,199
Transfers to capital projects funds			2,000,000		
(Increase) / decrease in bond and note interest accrued			(96,300)		9,681
Amortization of defeasance loss			(14,322)		(14,322)
Depreciation			(1,672,357)		(1,639,843)
(Increase) in compensated absences			(23,418)		(17,045)
Change in net assets			\$ 3,515,119		\$ 5,338,485



WATER AND SEWER CAPITAL PROJECT FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
BRIGHTWATER HEIGHTS WATER SYSTEM PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit E-3

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
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
Total revenues	\$ 795,067	\$ 292,960	\$ 0	\$ 292,960	\$ (502,107)
Expenditures -					
Waterline construction:					
Engineering	\$ 115,600	\$ 90,570	\$ 28,450	\$ 119,020	\$ (3,420)
Customer portion	180,000				180,000
Construction	652,000	319,860		319,860	332,140
Contingencies	97,800				97,800
Total expenditures	\$ 1,045,400	\$ 410,430	\$ 28,450	\$ 438,880	\$ 606,520
Revenues over (under) expenditures	\$ (250,333)	\$ (117,470)	\$ (28,450)	\$ (145,920)	\$ 104,413
Other financing sources:					
Proceeds of borrowing					
State Revolving Loan Fund	\$ 199,933				\$ (199,933)
Transfer - Water & Sewer Fund	50,400				(50,400)
Total other financing sources	\$ 250,333	\$ 0	\$ 0	\$ 0	\$ (250,333)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ (117,470)	\$ (28,450)	\$ (145,920)	\$ (145,920)

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
WATER TREATMENT PLANT EXPANSION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit E-4

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 190,000		\$ 198,227	\$ 198,227	8,227
Total revenues	\$ 190,000	\$ 0	\$ 198,227	\$ 198,227	\$ 8,227
Expenditures -					
Waterline construction:					
Engineering	\$ 1,060,000		\$ 313,706	\$ 313,706	\$ 746,294
Construction	17,296,300		3,728,884	3,728,884	13,567,416
Contingencies	1,543,700				1,543,700
Total expenditures	\$ 19,900,000	\$ 0	\$ 4,042,590	\$ 4,042,590	\$ 15,857,410
Revenues over (under) expenditures	\$ (19,710,000)	\$ 0	\$ (3,844,363)	\$ (3,844,363)	\$ 15,865,637
Other financing sources:					
Proceeds of borrowing	\$ 10,000,000		\$ 10,000,000		
Transfer - Water & Sewer Fund	9,710,000		2,000,000	\$ 2,000,000	\$ (7,710,000)
Total other financing sources	\$ 19,710,000	\$ 0	\$ 12,000,000	\$ 2,000,000	\$ (7,710,000)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 8,155,637	\$ (1,844,363)	\$ 8,155,637

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
FRESH WATER INTAKE CONSTRUCTION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit E-5

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant - USACEG	\$ 500,000				\$ (500,000)
State grant - NCRCDG	1,596,750		\$ 0	\$ 0	(1,596,750)
Total revenues	\$ 2,096,750	\$ 0	\$ 0	\$ 0	\$ (2,096,750)
Expenditures -					
Waterline construction:					
Engineering	\$ 328,680		\$ 76,628	\$ 76,628	\$ 252,052
Land and R-O-W purchases	90,200				90,200
Construction	2,001,000				2,001,000
Contingencies	209,120				209,120
Total expenditures	\$ 2,629,000	\$ 0	\$ 76,628	\$ 76,628	\$ 2,552,372
Revenues over (under) expenditures	\$ (532,250)	\$ 0	\$ (76,628)	\$ (76,628)	\$ 455,622
Other financing sources:					
Transfer - Water & Sewer Fund	532,250				(532,250)
Total other financing sources	\$ 532,250	\$ 0	\$ 0	\$ 0	\$ (532,250)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ (76,628)	\$ (76,628)	\$ (76,628)

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2008 AND JUNE 30, 2007

Exhibit F-1

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Governmental Capital Assets:		
Land	\$ 2,143,940	\$ 965,960
Construction in progress	38,505	
Buildings	7,947,551	7,885,860
Improvements other than buildings	2,523,986	2,474,849
Machinery, vehicles and equipment	4,880,298	4,617,324
Infrastructure	10,639,460	9,289,032
	<hr/>	<hr/>
Totals	<u>\$ 28,173,740</u>	<u>\$ 25,233,025</u>
 Investment in Governmental Capital Assets by source:		
General Fund	\$ 19,582,258	\$ 17,647,338
Special Revenue Funds	1,804,509	1,634,819
Capital Projects Funds	6,170,373	5,862,868
Donations	616,600	88,000
	<hr/>	<hr/>
Totals	<u>\$ 28,173,740</u>	<u>\$ 25,233,025</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2008

Exhibit F-2

Function and Activity	Land	Construction	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government:							
Administration	\$ 64,282		\$ 1,202,795				\$ 1,267,077
Finance			1,282,047		\$ 133,910		1,415,957
City engineer					51,894		51,894
Information technology					73,999		73,999
Central services			294,385		94,398		388,783
Public buildings					109,747		109,747
Total general government	\$ 64,282	\$ 0	\$ 2,779,227	\$ 0	\$ 463,948	\$ 0	\$ 3,307,457
Public safety:							
Police			\$ 2,136,747		\$ 1,498,360		\$ 3,635,107
Fire			1,295,871		- 1,728,491		3,024,362
Zoning					37,195		37,195
Total public safety	\$ 0	\$ 0	\$ 3,432,618	\$ 0	\$ 3,264,046	\$ 0	\$ 6,696,664
Transportation:							
Administration	62,392		\$ 1,109,500	\$ 127,102	\$ 55,316		\$ 1,354,310
Streets and highways	764,257		61,689	546,039	757,165	\$ 10,639,460	12,768,610
Traffic engineering					64,929		64,929
Total transportation	\$ 826,649	\$ 0	\$ 1,171,189	\$ 673,141	\$ 877,410	\$ 10,639,460	\$ 14,187,849
Park maintenance, drainage and lot clearing	\$ 1,253,009	\$ 38,505	\$ 564,517	\$ 1,850,845	\$ 274,894	\$ 0	\$ 3,981,770
Totals	\$ 2,143,940	\$ 38,505	\$ 7,947,551	\$ 2,523,986	\$ 4,880,298	\$ 10,639,460	\$ 28,173,740

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, 2008

Exhibit F-3

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2008
General government:					
Administration	\$ 1,919,506			\$ (652,429)	\$ 1,267,077
Finance	1,415,957				1,415,957
City engineer	45,321			6,573	51,894
Information technology	73,999	\$ 56,048		(56,048)	73,999
Central services	376,228	12,555			388,783
Public buildings	60,972	48,775			109,747
Total general government	\$ 3,891,983	\$ 117,378	\$ 0	\$ (701,904)	\$ 3,307,457
Public safety:					
Police	\$ 3,549,806	\$ 146,303	\$ 110,477	\$ 49,475	\$ 3,635,107
Fire	2,998,336	26,026			3,024,362
Zoning	37,195				37,195
Total public safety	\$ 6,585,337	\$ 172,329	\$ 110,477	\$ 49,475	\$ 6,696,664
Transportation:					
Administration	\$ 1,291,918	\$ 174,220		\$ (111,828)	\$ 1,354,310
Streets and highways	1,203,531	187,973	\$ 12,384	750,031	2,129,151
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	211,709				211,709
Sidewalk systems	1,370,473	279,522		147,139	1,797,134
Street systems	3,772,889	902,750		35,242	4,710,881
Traffic engineering	64,929				64,929
Total transportation	\$ 11,835,184	\$ 1,544,465	\$ 12,384	\$ 820,584	\$ 14,187,849
Park maintenance, drainage and lot clearing	\$ 2,920,521	\$ 1,229,404	\$ 0	\$ (168,155)	\$ 3,981,770
Totals	\$ 25,233,025	\$ 3,063,576	\$ 122,861	\$ 0	\$ 28,173,740

SCHEDULES SECTION



PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2008

Exhibit G-1

Fiscal year	Uncollected Balance June 30, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008		\$ 6,461,480	\$ 6,314,694	\$ 146,786
2006-2007	\$ 125,919		78,257	47,662
2005-2006	36,638		13,702	22,936
2004-2005	16,552		2,566	13,986
2003-2004	8,404		1,893	6,511
2002-2003	11,243		214	11,029
2001-2002	6,533		71	6,462
2000-2001	9,713		251	9,462
1999-2000	10,493		127	10,366
1998-1999	6,884		136	6,748
1997-1998	6,773		6,773	0
	<u>\$ 239,152</u>	<u>\$ 6,461,480</u>	<u>\$ 6,418,684</u>	<u>\$ 281,948</u>
Less allowance for uncollectible ad valorem taxes receivable				120,006
Ad valorem taxes receivable, net				<u>\$ 161,942</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 6,440,245
Reconciling items:				
Interest collected				(37,210)
Taxes written off after 10 years				6,730
Releases and refunds				8,919
Total collections and credits				<u>\$ 6,418,684</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit G-2

Original Levy:	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 1,699,593,100	\$ 0.38	\$ 6,458,454	\$ 6,101,808	\$ 356,646
Penalties			3,026	3,026	
Net levy	<u>\$ 1,699,593,100</u>		\$ 6,461,480	\$ 6,104,834	\$ 356,646
Uncollected taxes at June 30, 2008			<u>146,786</u>	<u>121,610</u>	<u>25,176</u>
Current year's taxes collected			<u>\$ 6,314,694</u>	<u>\$ 5,983,224</u>	<u>\$ 331,470</u>
Current levy collection percentage			<u>97.73%</u>	<u>98.01%</u>	<u>92.94%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit G-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,473,835,422
Personal Property	200,606,259
Public Service Companies	<u>25,151,419</u>
 Total Assessed Valuation	 <u>\$ 1,699,593,100</u>
 Tax Rate per \$100	 <u>\$ 0.38</u>
 Levy (includes discoveries, releases, abatements) (3)	 <u>\$ 6,461,480</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, 2008

Exhibit G-2b

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUE	% of TOTAL ASSESSED VALUE
Ingles Markets, Inc.	Grocery Chain	\$ 24,729,349	1.46%
Wal-Mart Stores, Inc.	Retail Sales	22,289,991	1.31%
Boyd L. Hyder	Entrepreneur	17,925,800	1.05%
Highland Investors, LLC	Nursing Homes	15,695,290	0.92%
Lowes of Hendersonville	Home Improvement	13,467,083	0.79%
First Citizens Bank	Banking Service	13,121,575	0.77%
Home Depot	Home Improvement	11,972,965	0.70%
Blue Ridge Mall, LTD.	Retail Sales	11,901,971	0.70%
Henderson Crossing Shopping Center	Retail Sales	11,432,500	0.67%
Triangle Real Estate	Real Estate Sales	11,381,100	0.67%
		<hr/>	<hr/>
	Total	<u>\$ 153,917,624</u>	<u>9.06%</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, 2008

Exhibit G-3

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008		\$ 239,904	\$ 233,877	\$ 6,027
2006-2007	\$ 8,228		4,985	3,243
2005-2006	2,355		1,342	1,013
2004-2005	1,341		615	726
2003-2004	235		37	198
2002-2003	506			506
2001-2002	297			297
2000-2001	330			330
1997-1998	31		31	0
	\$ 13,323	\$ 239,904	\$ 240,887	\$ 12,340
Less allowance for uncollectible ad valorem taxes receivable				4,184
Ad valorem taxes receivable - net				\$ 8,156
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 242,205
Reconciling items:				
Interest collected				(1,746)
Taxes written off after 10 years				31
Releases				397
Total collections and credits				\$ 240,887

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit G-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	\$ 95,938,000	\$ 0.25	\$ 239,845	\$ 239,231	\$ 614
Penalties			59	59	
Net levy	<u>\$ 95,938,000</u>		\$ 239,904	\$ 239,290	\$ 614
Uncollected taxes at June 30, 2008			<u>6,027</u>	<u>6,020</u>	<u>7</u>
Current year's taxes collected			<u>\$ 233,877</u>	<u>\$ 233,270</u>	<u>\$ 607</u>
Current levy collection percentage			<u>97.49%</u>	<u>97.48%</u>	<u>98.86%</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, 2008

Exhibit G-5

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008		\$ 9,267	\$ 8,742	\$ 525
2006-2007	\$ 623		204	419
2005-2006	253		155	98
2004-2005	101		75	26
2003-2004	123			123
2002-2003	94		18	76
2001-2002	98			98
2000-2001	22		-	22
1998-1999	40			40
	\$ 1,354	\$ 9,267	\$ 9,194	\$ 1,427
Less allowance for uncollectible ad valorem taxes receivable				181
Ad valorem taxes receivable - net				\$ 1,246
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 9,220
Reconciling items:				
Interest collected				(150)
Releases				124
Total collections and credits				\$ 9,194

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit G-6

Original Levy:	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 11,523,750	\$ 0.08	\$ 9,219	\$ 8,676	\$ 543
Penalties			48		
Net levy	<u>\$ 11,523,750</u>		\$ 9,267	\$ 8,676	\$ 543
Uncollected taxes at June 30, 2008			525	489	36
Current year's taxes collected			<u>\$ 8,742</u>	<u>\$ 8,187</u>	<u>\$ 507</u>
Current levy collection percentage			<u>94.33%</u>	<u>94.36%</u>	<u>93.37%</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, 2008

Exhibit G-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 2,383,798	
Capital Reserve Fund		\$ 870,323
Downtown Tax District Fund		494,805
Greenways Phase II Grant Fund		202,000
SkatePark Capital Project Fund		175,000
Enterprise Funds:		
Solid Waste Fund		540,790
Water & Sewer Fund		100,880
Capital Reserve Fund	1,123,900	
General Fund		865,000
Downtown Tax District Fund		258,900
	<u>\$ 3,507,698</u>	<u>\$ 3,507,698</u>

Transfers From/To Other Units:

Component unit:

City of Hendersonville ABC Board:

Profit distributions	\$ 110,000	
Law enforcement services	40,000	
General Fund		<u>\$ 150,000</u>
Total - component units	<u>\$ 150,000</u>	<u>\$ 150,000</u>



COMPLIANCE SECTION

CARLAND & ANDERSEN INCORPORATED

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

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

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET
HENDERSONVILLE, NORTH CAROLINA 28792

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

Report on 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, 2008, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 24, 2008. 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 24, 2008.

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 24, 2008

Cauland & Anderson Incorporated

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit H-1

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:

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

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
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit H-2

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal C F D A Number</u>	<u>State/ Passthrough Grantor's No.</u>	<u>Fed'l (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditure:</u>
Federal Grants:					
 Cash Programs:					
 <u>U. S. Department of Homeland Security</u>					
Federal Emergency Management Administration Assistance to Firefighters Grant	97.044	EMW-2007/ FO-00563	\$ 99,599		\$ 11,279
Total Cash Assistance - Federal Programs			<u>\$ 99,599</u>		<u>\$ 11,279</u>
 State Grants:					
 Cash Programs:					
 <u>N. C. Department of Transportation:</u>					
Powell Bill Program		32570		\$ 313,467	
Total Cash Assistance - State Programs			<u>\$ 313,467</u>	<u>\$ 0</u>	
Total Assistance - All Programs			<u>\$ 99,599</u>	<u>\$ 313,467</u>	<u>\$ 11,279</u>

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

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



STATISTICAL SECTION

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

<u>Contents</u>	<u>Page Number</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	94
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100
Debt Capacity 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.	104
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	108
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	110

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066
Restricted	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518
Unrestricted	(A)	(A)	(A)	(A)	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504
Total Governmental Activities Net Assets					<u>\$ 18,131,054</u>	<u>\$ 18,845,488</u>	<u>\$ 21,384,070</u>	<u>\$ 22,874,740</u>	<u>\$ 23,566,607</u>	<u>\$ 25,256,088</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938
Restricted	(A)	(A)	(A)	(A)	-	-	-	-	-	-
Unrestricted	(A)	(A)	(A)	(A)	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335
Total Business-Type Activities Net assets					<u>\$ 46,555,676</u>	<u>\$ 46,019,075</u>	<u>\$ 50,061,192</u>	<u>\$ 55,139,835</u>	<u>\$ 60,473,215</u>	<u>\$ 64,108,273</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	(A)	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004
Restricted	(A)	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518
Unrestricted	(A)	(A)	(A)	(A)	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839
Total Primary Government Net Assets					<u>\$ 64,686,730</u>	<u>\$ 64,864,563</u>	<u>\$ 71,445,262</u>	<u>\$ 78,014,575</u>	<u>\$ 84,039,822</u>	<u>\$ 89,364,361</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Expenses										
Governmental Activities:										
General Government	(A)	(A)	(A)	(A)	\$ 1,317,680	\$ 1,361,553	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039
Public Safety	(A)	(A)	(A)	(A)	4,407,809	4,588,455	4,876,373	4,960,503	5,248,972	5,904,878
Environmental Protection	(A)	(A)	(A)	(A)	422,214	8,300	5,000	5,000	-	-
Economic and Physical Development	(A)	(A)	(A)	(A)	135,462	221,752	192,117	180,915	365,940	239,525
Transportation	(A)	(A)	(A)	(A)	1,555,299	1,286,798	1,438,031	1,191,132	1,583,224	1,582,437
Parks and Drainage	(A)	(A)	(A)	(A)	-	373,535	251,391	488,727	464,033	515,024
Cultural and Recreation	(A)	(A)	(A)	(A)	53,781	107,953	429,747	133,574	161,687	220,864
Interest on Long-Term Obligations	(A)	(A)	(A)	(A)	118,693	206,646	230,441	215,476	211,358	186,416
Total Governmental Activities Expenses	(A)	(A)	(A)	(A)	8,010,938	8,154,992	9,021,543	8,765,539	9,804,204	10,696,183
Business-Type Activities:										
Water and Sewer Fund	(A)	(A)	(A)	(A)	8,012,256	11,174,479	8,803,851	8,925,895	9,349,299	10,498,295
Solid Waste Fund	(A)	(A)	(A)	(A)	748,061	775,301	867,522	989,812	948,235	965,119
Total Business-Type Activities Expenses	(A)	(A)	(A)	(A)	8,760,317	11,949,780	9,671,373	9,915,707	10,297,534	11,463,414
Total Primary Government Expenses	(A)	(A)	(A)	(A)	\$ 16,771,255	\$ 20,104,772	\$ 18,692,916	\$ 18,681,246	\$ 20,101,738	\$ 22,159,597
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	(A)	(A)	(A)	(A)	\$ 177,147	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	(A)	(A)	(A)	(A)	41,808	190,437	142,305	161,804	133,358	159,579
Transportation	(A)	(A)	(A)	(A)	48,028	56,448	43,707	59,204	73,357	70,791
Parks and Drainage	(A)	(A)	(A)	(A)	-	41,960	18,850	21,030	21,350	23,450
Cultural and Recreational	(A)	(A)	(A)	(A)	27,735	-	49,818	84,178	101,780	119,147
Other Activities	(A)	(A)	(A)	(A)	6,680	-	-	-	-	-
Operating Grants and Contributions	(A)	(A)	(A)	(A)	788,801	638,783	673,487	509,555	410,529	497,857
Capital Grants and Contributions	(A)	(A)	(A)	(A)	282,806	32,029	1,653,745	726,529	162,159	178,328
Total Governmental Activities Program Revenues	(A)	(A)	(A)	(A)	1,373,005	959,657	2,581,912	1,562,300	902,533	1,049,152
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	(A)	(A)	(A)	(A)	8,750,588	10,174,684	11,471,824	12,586,225	13,112,540	12,846,457
Other Activities	(A)	(A)	(A)	(A)	338,918	323,079	347,044	507,746	530,470	543,892
Operating Grants and Contributions	(A)	(A)	(A)	(A)	1,132,700	-	-	-	-	-
Capital Grants and Contributions	(A)	(A)	(A)	(A)	2,894,789	140,452	648,545	660,761	-	-
Total Business-Type Activities Program Revenues	(A)	(A)	(A)	(A)	13,116,995	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349
Total Primary Government Revenues	(A)	(A)	(A)	(A)	\$ 14,490,000	\$ 11,597,872	\$ 15,049,325	\$ 15,317,032	\$ 14,545,543	\$ 14,439,501

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue										
Governmental Activities	(A)	(A)	(A)	(A)	\$ (6,637,933)	\$ (7,195,335)	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)
Business-Type Activities	(A)	(A)	(A)	(A)	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935
Total Primary Government Net (Expense)/Revenue	(A)	(A)	(A)	(A)	<u>\$ (2,281,255)</u>	<u>\$ (8,506,900)</u>	<u>\$ (3,643,591)</u>	<u>\$ (3,364,214)</u>	<u>\$ (5,556,195)</u>	<u>\$ (7,720,096)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	(A)	(A)	(A)	\$ 4,625,261	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670
Sales & Use Tax	(A)	(A)	(A)	(A)	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493
Other Taxes	(A)	(A)	(A)	(A)	85,549	79,741	76,151	79,707	76,478	80,352
Unrestricted Intergovernmental Revenue	(A)	(A)	(A)	(A)	740,955	847,401	874,925	912,419	981,492	1,157,165
Restricted Intergovernmental Revenue	(A)	(A)	(A)	(A)	983,607	785,731	2,390,042	1,320,271	658,093	699,273
Permits and Fees	(A)	(A)	(A)	(A)	73,840	82,210	67,867	169,562	143,643	35,510
Sales and Services	(A)	(A)	(A)	(A)	88,293	104,708	117,725	170,312	200,012	217,213
Investment Earnings	(A)	(A)	(A)	(A)	151,381	88,294	268,504	620,041	1,080,909	881,739
Miscellaneous	(A)	(A)	(A)	(A)	139,265	123,661	273,129	389,192	66,171	141,330
Total Governmental Activities	(A)	(A)	(A)	(A)	<u>8,717,283</u>	<u>9,482,491</u>	<u>11,815,032</u>	<u>11,709,130</u>	<u>11,767,279</u>	<u>12,490,745</u>
Business-Type activities:										
Investment Earnings	(A)	(A)	(A)	(A)	466,087	119,052	295,222	511,490	699,364	867,850
Transfers	(A)	(A)	(A)	(A)	-	100,880	100,880	100,880	875,880	100,880
FEMA Settlement	(A)	(A)	(A)	(A)	-	-	66,312	-	-	-
Sale of Fixed Assets	(A)	(A)	(A)	(A)	-	-	821,550	4,150	100	-
Miscellaneous	(A)	(A)	(A)	(A)	65,290	53,475	19,427	16,220	5,678	4,680
Total Business-Type Activities	(A)	(A)	(A)	(A)	<u>531,377</u>	<u>273,407</u>	<u>1,303,391</u>	<u>632,740</u>	<u>1,581,022</u>	<u>973,410</u>
Total Primary Government	(A)	(A)	(A)	(A)	<u>9,248,660</u>	<u>9,755,898</u>	<u>13,118,423</u>	<u>12,341,870</u>	<u>13,348,301</u>	<u>13,464,155</u>
Change in Net Assets:										
Governmental Activities	(A)	(A)	(A)	(A)	2,079,350	2,287,156	5,375,401	4,505,891	2,865,608	2,843,714
Business-Type Activities	(A)	(A)	(A)	(A)	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345
Total Primary Government	(A)	(A)	(A)	(A)	<u>\$ 6,967,405</u>	<u>\$ 1,248,998</u>	<u>\$ 9,474,832</u>	<u>\$ 8,977,656</u>	<u>\$ 7,792,106</u>	<u>\$ 5,744,059</u>

(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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 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	\$ 1,918,643
Unreserved	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	6,005,467
Total General Fund	<u>6,939,299</u>	<u>5,890,152</u>	<u>6,855,602</u>	<u>6,925,130</u>	<u>5,567,455</u>	<u>6,571,649</u>	<u>6,826,806</u>	<u>8,056,080</u>	<u>8,741,714</u>	<u>7,924,110</u>
All Other Governmental Funds										
Reserved										
Capital Projects Fund	-	-	-	-	-	-	-	-	1,113,900	502,760
Non-Major Funds	-	-	-	-	-	-	-	-	2,432	2,141
Unreserved, Reported In:										
Special Revenue Funds	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	1,669,702
Capital Projects Funds	974,966	668,000	570,837	259,384	337,364	281,985	278,462	273,319	269,116	207,018
Non-Major Funds	-	-	-	-	-	-	-	-	56,840	356,361
List Any Other Fund Types	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,096,809</u>	<u>\$ 5,706,172</u>	<u>\$ 5,900,495</u>	<u>\$ 4,919,315</u>	<u>\$ 4,838,694</u>	<u>\$ 4,047,889</u>	<u>\$ 3,642,656</u>	<u>\$ 3,190,296</u>	<u>\$ 2,604,500</u>	<u>\$ 2,737,982</u>

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



CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes by Source:										
Property Tax	\$ 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	\$ 6,440,245
Sales Tax	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	2,586,493
Other Taxes	54,420	67,883	74,076	82,865	85,549	79,741	76,151	79,707	76,478	80,352
Unrestricted Intergovernmental	1,043,676	1,147,367	1,222,055	489,289	822,455	847,401	874,925	912,419	981,492	1,157,165
Restricted Intergovernmental	371,941	743,859	426,854	541,484	475,314	483,818	1,492,386	1,092,028	472,435	588,395
Permits and Fees	52,952	53,055	61,433	65,156	73,840	82,210	67,867	169,562	143,643	35,510
Sales and Services	98,133	103,432	91,432	103,129	88,293	104,708	117,725	170,312	200,012	217,213
Investment Earnings	316,046	390,911	417,421	152,156	91,611	51,887	176,604	501,524	919,238	717,518
Miscellaneous	108,125	75,710	242,625	77,238	139,265	123,661	273,129	105,680	66,171	81,330
Total Revenues	7,297,053	8,153,238	8,396,067	7,480,324	8,083,028	8,966,848	10,643,142	10,892,299	11,239,049	11,904,221
Expenditures										
Current:										
General Government	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	2,048,160
Public Safety	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	5,556,863
Transportation	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	1,780,266
Park Maintenance & Drainage	281,017	310,778	449,063	342,621	413,026	383,006	490,495	567,525	469,048	1,083,802
Cultural and Recreation	24,884	22,902	24,795	32,965	53,781	54,132	153,736	133,574	161,687	220,864
Capital Outlay:										
Debt Service:										
Principal	99,953	219,778	235,078	239,827	243,940	359,283	471,026	475,296	323,333	323,333
Interest and Fees	103,876	135,630	146,566	130,504	120,648	180,429	234,207	218,542	214,108	189,739
Total Expenditures	6,070,019	8,145,207	7,022,777	7,238,386	8,350,996	7,864,351	10,438,170	9,729,746	10,048,519	11,203,027
Excess of Revenues Over (Under) Expenditures	1,227,034	8,031	1,373,290	241,938	(267,968)	1,102,497	204,972	\$ 1,162,553	\$ 1,190,530	\$ 701,194

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses):										
Proceeds of Debt - Capital Leases	\$ 90,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	950,000	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) Other Funds:										
Enterprise Fund:										
Solid Waste Fund	(318,000)	(351,980)	(383,460)	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)
Water and Sewer Fund	(100,910)	(100,880)	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)
Water and Sewer Fund	-	-	-	-	-	-	529,050	-	-	-
Seventh Avenue Tax District	-	-	-	-	-	-	-	(5,300)	-	-
Capital Projects Fund - City Hall Renov	-	-	-	-	-	-	(328,200)	243,651	-	-
Capital Reserve Fund	108,000	-	-	796,717	1,190,000	516,417	1,341,600	542,630	1,527,160	865,000
Capital Reserve Fund	(1,181,711)	(667,126)	-	-	(1,034,447)	-	(742,675)	-	-	-
Capital Projects Fund - Sidewalks	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	(72,000)	-	-	-
Downtown Tax District	-	(20,000)	(20,000)	(10,000)	-	-	-	-	-	-
Seventh Avenue Tax District	(11,367)	4,000	4,000	3,370	-	-	-	-	-	-
Operating Transfers from ABC Board:										
Law Enforcement	20,000	20,000	20,000	20,000	20,000	-	-	-	-	-
Profit Distribution	75,148	58,808	72,500	78,000	81,500	-	-	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(367,992)	(1,057,178)	(407,840)	(172,410)	(988,207)	(98,303)	50,185	66,721	238,620	223,330
Net Change in Fund Balances	859,042	(1,049,147)	965,450	69,528	(1,256,175)	1,004,194	255,157	1,229,274	1,429,150	924,524
Capital Asset Expenditures	636,227	1,510,069	722,899	551,358	1,287,849	471,881	2,137,410	\$ 1,002,507	\$ 885,691	\$ 1,294,303
Debt Service as a	3.8%	5.4%	6.1%	5.5%	5.2%	7.3%	8.5%	8.0%	5.9%	5.2%
Percentage of Noncapital Expenditures										

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					
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%
2008	\$ 399,262,016	1,082,409,789	93,606,259	131,903,467	7,588,431	1,699,593,100	0.38	\$ 1,713,299,496	99.2%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2007. 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Direct Rates:										
Basic Rate	\$ 0.550	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380
Debt Service	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	0.550	0.450	0.450	0.450	0.450	0.430	0.430	0.430	0.430	0.380
County Rates:										
Henderson County	0.585	0.500	0.500	0.500	0.500	0.475	0.475	0.515	0.565	0.462
Town of Fletcher	0.250	0.250	0.250	0.250	0.270	0.250	0.270	0.270	0.270	0.270
Town of Laurel Park	0.360	0.310	0.310	0.310	0.310	0.300	0.310	0.310	0.335	0.270
Town of Mills River	-	-	-	-	-	0.070	0.075	0.075	0.075	0.075
Village of Flat Rock	-	-	-	-	-	-	-	0.085	0.085	0.075
Fire (14) District Rates:										
From Lowest	0.070	0.060	0.060	0.065	0.065	0.060	0.065	0.065	0.065	0.060
To Highest	0.120	0.120	0.120	0.120	0.120	0.120	0.115	0.115	0.115	0.115
Special Purpose District Rates:										
Downtown Tax District	0.250	0.250	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.250
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.080

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2008

UNAUDITED

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 24,729,349	1	1.46%	\$ 13,037,140	2	1.96%
Wal-Mart, Inc.	22,289,991	2	1.31%	6,540,510	9	0.98%
Boyd L. Hyder	17,925,800	3	1.05%	7,252,770	7	1.09%
Highland Investors, LLC	15,695,290	4	0.92%	4,158,900		
Lowe's of Hendersonville	13,467,083	5	0.79%	6,188,390	10	0.93%
First Citizens Bank	13,121,575	6	0.77%	8,887,810	5	1.33%
Home Depot	11,972,965	7	0.70%	-		
Blue Ridge Mall, LTD	11,901,971	8	0.70%	13,462,000	1	2.02%
Henderson Crossing Shopping Center	11,432,500	9	0.67%	5,056,625		
Triangle Real Estate, Inc.	11,383,100	10	0.67%	-		
Duke Energy	-			7,886,698	6	1.18%
BellSouth	-			12,258,674	3	1.84%
Robert D. Williams	-			6,984,900	8	1.05%
Carolina Village Inc.	-			10,993,696	4	1.65%
Totals	\$ 153,919,624		9.06%	\$ 93,492,588		14.04%

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	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
1999	\$ 3,327,310		\$ 107,147		\$ 3,434,457	98.3%	\$ 3,376,457	98.3%	\$ 65,293		\$ 3,441,750	100.2%
2000	3,586,605		121,541		3,708,146	97.2%	3,603,215	97.2%	75,520		3,678,735	99.2%
2001	3,552,150		338,081		3,890,231	97.3%	3,785,365	97.3%	121,223		3,906,588	100.4%
2002	3,781,531		182,146		3,963,677	97.5%	3,866,099	97.5%	121,256		3,987,355	100.6%
2003	3,896,307		299,574		4,195,881	97.0%	4,070,731	97.0%	154,817		4,225,548	100.7%
2004	4,281,731		407,473		4,689,204	98.0%	4,593,772	98.0%	113,760		4,707,532	100.4%
2005	4,636,382		118,923		4,755,305	98.2%	4,667,594	98.2%	188,897		4,856,491	102.1%
2006	4,826,530		161,133		4,987,663	98.1%	4,891,685	98.1%	124,677		5,016,362	100.6%
2007	5,019,939		209,399		5,229,338	98.1%	5,130,561	98.1%	103,894		5,234,455	100.1%
2008	\$ 5,952,337		\$ 490,571		\$ 6,442,908	98.0%	\$ 6,314,694	98.0%	\$ 103,990		\$ 6,418,684	99.6%

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			
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
2008	\$ 900,000	\$ -	\$ 2,450,000	\$ 790,000	\$ -	\$ 19,791,377	\$ 23,931,377	703.8%	\$ 1,877

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		Per Capita
				Estimated Actual Taxable Value of Property	Property	
1999	\$ 1,710,000	-	\$ 1,710,000	0.25%	\$	179
2000	1,620,000	-	1,620,000	0.18%		163
2001	1,530,000	-	1,530,000	0.14%		147
2002	1,440,000	-	1,440,000	0.13%		128
2003	1,350,000	-	1,350,000	0.13%		117
2004	1,260,000	-	1,260,000	0.10%		108
2005	1,170,000	-	1,170,000	0.09%		97
2006	1,080,000	-	1,080,000	0.07%		88
2007	990,000	-	990,000	0.06%		79
2008	\$ 900,000	-	\$ 900,000	0.05%	\$	71

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, 2008

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City:			
City of Hendersonville	\$ 900,000	100.0%	\$ 900,000
County:			
Henderson County	2,885,000		2,885,000
Cane Creek Sewer District	2,701,300		2,701,300
Subtotal, Overlapping Debt			<u>5,586,300</u>
City of Hendersonville Direct			<u>3,350,000</u>
Total Direct and Overlapping Debt			<u>\$ 8,936,300</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	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	\$ 135,967,448
Total Net Debt Applicable to Debt Limit	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	23,741,378
Legal Debt Margin	46,042,223	64,283,710	54,474,375	55,724,842	61,293,287	72,081,253	75,467,950	81,395,164	89,637,340	\$ 112,226,070
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	13.9%	9.8%	26.4%	26.7%	23.3%	22.2%	20.1%	18.1%	14.8%	17.5%

Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Value	\$ 1,699,593,100
Debt Limit (8% of Total Assessed Value)	135,967,448
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	22,241,378
Total Bonded Debt	1,690,000
Less: Water Bonds Outstanding	(190,000)
Total Amount of Debt Applicable to Debt Limit	23,741,378
Legal Debt Margin	\$ 112,226,070

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	
	Population		Population		Income		Income		Enrollment	Rate		Rate		Rate		Rate
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		27,923		11,257	3.0%		5.1%		4.5%		
2002	11,252		91,544		2,665,395		27,469		11,423	4.0%		6.8%		5.9%		
2003	11,530		92,988		2,817,908		27,689		11,574	3.8%		6.7%		6.2%		
2004	11,682		94,496		2,920,871		28,958		11,918	3.1%		5.4%		5.7%		
2005	12,106		96,124		3,030,309		30,440		12,292	4.5%		5.3%		5.0%		
2006	12,237		97,792		3,144,599		32,431		12,578	3.4%		4.6%		4.8%		
2007	12,499		100,107		3,283,409		32,799		13,134	3.9%		4.9%		4.5%		
2008	12,747		102,142		3,400,409		33,291		13,322	4.7%		6.2%		5.7%		

Data Sources:

- (1) North Carolina State Planning Office.
- (2) North Carolina State Planning Office.
- (3) US Dept. of Commerce - Bureau of Economic Analysis
- (4) US Dept. of Commerce - Bureau of Economic Analysis - Per Capita & Total Personal Income Estimated for 2007 & 2008
- (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	2008			1999		
	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 Lighthouse	725	5	5.80%	1,100	1	11.43%
Arvin-Meritor	700	6	5.60%	550	6	5.71%
Steelcase, Incorporated	680	7	5.56%	680	5	7.13%
Wal-Mart	675	8	5.40%	-	-	-
Ingles	653	9	5.22%	-	-	-
Henderson County Government	650	10	5.20%	550	7	5.77%
Eaton Corporation	650	11	5.31%	435	10	4.56%
Continental Tevis	522	12	4.18%	-	-	-
Kyocera Engineering	500	13	4.09%	-	-	-
Kimberly-Clark Corporation	265	14	2.17%	500	8	5.24%
Totals	10,569		84.92%	7,015		73.07%

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
General Government:										
Administration	6	6	6	4	4	4	3	3	3	3
Finance	6	6	4	4	4	4	12	12	12	12
Support Services	2	3	3	4	8	10	10	10	10	10
Public Safety:										
Police	46	46	45	45	45	45	45	45	50	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	4	4	4	4	4	4	3	3	3	3
Streets & Highways	7	7	7	7	7	7	7	7	7	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	2
Parks & Drainage	8	8	8	8	8	8	8	8	8	8
Subtotal	30	30	30	30	30	30	29	29	29	31
Business-Type Activities										
Water and Sewer Fund	77	76	76	78	78	74	66	66	67	67
Solid Waste Fund	11	10	10	10	10	10	10	10	10	10
Total	195	194	191	192	196	194	192	192	198	200

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Building Permits Issued:										
Residential	368	378	203	307	348	141	244	235	163	236
Commercial	110	100	240	192	95	101	111	99	80	96
Public Safety - Police										
Physical Arrests	1,812	2,501	2,379	1,833	1,690	1,979	2,173	2,177	2,736	2,735
Traffic Violations	2,297	2,342	2,013	2,346	2,233	2,861	2,628	2,685	3,631	3,624
Parking Violations	3,039	2,530	3,445	4,362	3,799	3,854	2,353	2,313	2,353	2,358
Public Safety - Fire										
Number of Fire Calls Answered	1,233	1,205	1,122	1,223	1,377	1,478	1,629	1,617	1,703	1,899
Inspections Conducted	980	1,080	152	219	205	509	601	620	548	534
Water										
Number of Service Connections	19,120	19,158	19,688	20,492	21,196	21,832	23,105	23,650	24,300	27,300
Average Daily Production in Gallons	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	6,660,000
Sewer										
Number of Service Connections	5,417	5,483	5,793	6,333	6,647	6,846	7,608	7,700	8,000	8,500
Average Daily Treatment in Gallons	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	2,435,000
Solid Waste										
Refuse Collected (Tons per Year)	4,006	4,343	4,381	4,513	4,693	4,745	4,774	4,605	4,501	4,324
Recycling Collections (Tons per Year)	504	517	520	543	594	563	603	708	1,354	1,021
Cable TV Subscribers										
City	-	-	2,586	2,494	2,167	2,019	2,024	3,639	3,336	3,338
County	-	-	18,127	17,646	15,483	14,283	13,669	11,639	10,405	10,411
Flat Rock	-	-	1,602	1,667	1,619	1,590	1,575	1,288	1,186	1,187
Fletcher	-	-	2,297	2,263	2,200	2,001	1,799	1,409	1,260	1,261
Laurel Park	-	-	961	960	898	895	881	881	806	806
Mills River	-	-	-	-	-	-	670	1,046	953	953
Total Subscribers	-	-	25,573	25,030	22,367	20,788	20,635	19,902	17,946	17,956

Sources: Various City of Hendersonville Deaprtments

Note: Cable TV subscribers were reconciled by Mediacom in 1999 and 2000.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Hendersonville										
Public Facilities/Buildings	4	4	4	4	4	4	3	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	34	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)	56.9	57.4	58.7	58.7	59.1	59.1	60.2	62.9	65.0	65.0
Street Lights	1,462	1,468	1,469	1,469	1,469	1,471	1,575	1,580	1,587	1,587
Parks and Recreation										
Parks Acreage	99	99	99	99	99	99	99	99	99	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	7	7	7	7	7	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	4	4	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	525	525	528	549	556	574	585	590	595	560
Fire Hydrants	1,595	1,595	1,892	2,001	2,024	2,062	2,120	2,135	2,140	2,233
Sewer										
Sanitary Sewers (Miles)	110	110	117	131	135	148	153	154	154	160
Storm Sewers (Miles)	25	25	25	25	30	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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

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