

CITY OF HENDERSONVILLE
NORTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the fiscal year ended
June 30, 2010

Prepared by:
Department of Finance

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

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CITY COUNCIL:

BARBARA G. VOLK

Mayor

JEFF COLLIS

Mayor Pro Tem

STEVE CARAKER

JERRY A. SMITH, JR.

WM. RALPH FREEMAN, JR.

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, 2010

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, 2010.

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, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP 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 was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the city today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The city is the county seat of Henderson County and largest among five municipalities located within the County. As of June 30, 2010, the North Carolina Office of State Planning estimated the city's population to be 13,135.

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.*" This soubriquet was given to the city over 50 years ago by a local weatherman, the late Kermit Edney. 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 the Machinery Act of North Carolina 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 100 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. The county produces about 85 percent of the apples grown in North Carolina on 6,000 acres of land and is the largest apple producer in the State with about 150 apple orchards. 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, 85 nurseries, 5 cut-flower farms 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 the past ten years and is expected to continue to grow in the near future.

The organic farming of apples and vegetables is becoming an emerging market for wholesale and retail sales. 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 and ecosystem restoration sector. This sector should continue to prosper as more and more people become environmentally conscious.

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 56.2 percent of total general fund expenditures as of June 30, 2010. 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, 2010, totaled \$1,146,121.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (\$500,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2010, totaled \$699,949.

Relevant financial policies . It is the City of Hendersonville's policy that "onetime" revenue resource inflows not be used for operating purposes. All funding received as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 was accounted for as per the reporting requirements in the act. Accordingly, the City Council designated stimulus funds received for the US 64 Loop Road Project U-5183; and, the Department of Justice, Office of Justice Assistance Grant Program (JAG) as special revenue funds. The amounts budgeted for these projects amounted to \$363,000 and \$61,478, respectively.

Major initiatives. The Water and Sewer Department substantially completed the renovation of its water treatment plant in FY 2009-10. This was a \$19.9 million project that began in FY 2007-08. During the current year it was learned that the city would need to go to a higher level of water treatment requiring the installation of an ultraviolet disinfection process at the plant due to the presence of cryptosporidium from agriculture runoff into the Mills River. This is estimated to cost \$2.315 million and must be completed by September 30, 2012.

The City currently can withdraw up to 12 million gallons per day of drinking water from the Mills River for its customers in the city as well as Henderson County. Recent drought conditions caused concern to be raised regarding the future withdrawal of water from the river. Due to restrictions imposed upon the City with the discovery of the Appalachian Elk Toe mussel in Mills River regarding water withdrawal, another source of water is needed for long range supply. The mussel is on the federal list of endangered species and its habitat is protected under federal law. This prompted the city to look at the neighboring French Broad River as an alternate source. As a result the City Council authorized the creation of a capital project fund for the water and sewer system for the installation of a raw water pumping station on the French Broad River. This project will require a pipeline delivery system to the City's water treatment plant as well as the purchase of property necessary for an off-stream storage facility. Phase I of the project is estimated to cost approximately \$3.2 million dollars and is scheduled to be completed by December 2011.

Due to the state of the economy the city has had to revise its capital improvement program and move some larger projects to future years. In the General Fund this delayed the construction of a new fire station, some park acquisition and improvements on the northwest and southeast side of town and road rehabilitation and reconstruction of Fifth Avenue.

In the Water and Sewer Fund this necessitated the delay of water system improvements on the east side of town and in the Etowah community to the north. Also affected was a sewer outfall planned for the east side of the system as well as the water and sewer line rehabilitation program.

Some major equipment purchases were shifted to future years. These included a street sweeper for the Streets and Highways Department, in addition to a knuckle boom truck and a refuse collection vehicle for the Sanitation Department. Management has been very careful in determining which equipment can be delayed for replacement in order not to create bigger problems in the future.

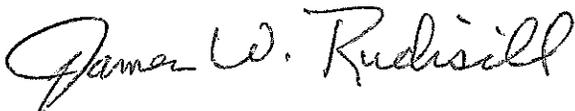
Awards and Acknowledgments

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, 2009. This was the twenty-second 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 black 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, 2009

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.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

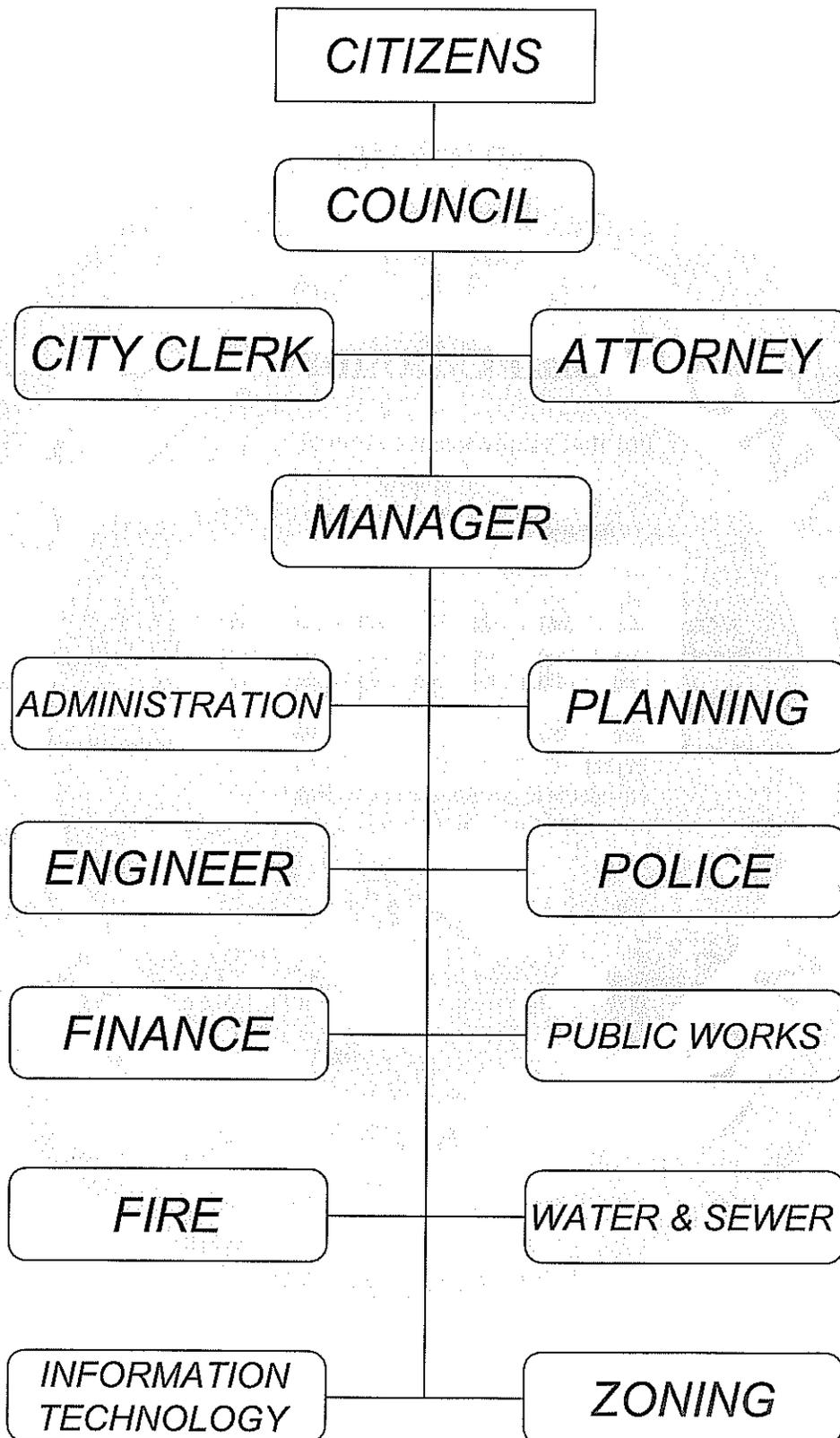
President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director

CITY OF HENDERSONVILLE

Organizational Chart



CITY OF HENDERSONVILLE OFFICIALS

CITY COUNCIL

Mayor.....Barbara Volk

Mayor Pro-Tem.....Jeff Collis

Steve Caraker
Jerry A. Smith, Jr.
Wm. Ralph Freeman, Jr.

CITY STAFF

City Manager W. Bowman Ferguson

City Clerk Tammie K. Drake

City Attorney. Sam H. Fritschner

Finance Director James W. Rudisill

**INDEPENDENT
AUDITORS' REPORT**

CARLAND & ANDERSEN INCORPORATED

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

F.T. CARLAND, CPA
MYRA L. DAVIS, CPA
GEORGE B. LEE, 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
Members of the City Council
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, 2010 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, 2010, 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, 2010 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's and the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions on pages 3 through 13 and pages 55 through 58, 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 combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and State awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules 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.

Carroll & Anderson Incorporated

November 24, 2010

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, 2010. 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

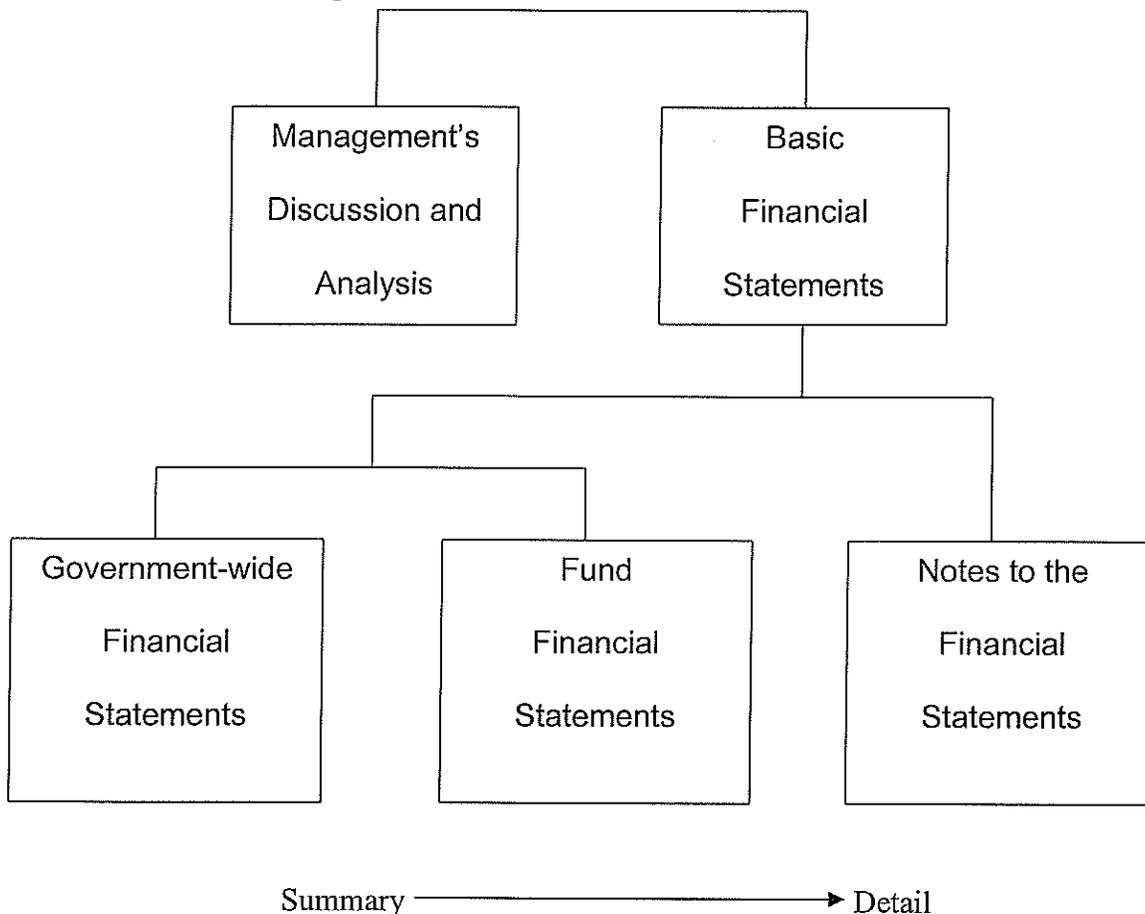
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$93,777,586 (*net assets*).
- The government's total net assets *increased* by \$2,750,768, primarily due to an *increase* in the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,878,039 a *decrease* of \$1,211,781 in comparison with the prior year. Approximately 91.4 percent of this total amount, or \$9,946,941, 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 \$6,023,111 or 56.2 percent of total general fund expenditures for the fiscal year.
- The City's total debt *decreased* by \$2,286,844 or 9.6% during the current fiscal year. The key factor in this decrease was the reduction in principal and interest on all outstanding debt without incurring any new financial obligations related to bonds or notes.
- Hendersonville maintained its bond rating of Aa with Moody's Investor Service and AA- with Standard & Poor's.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The City of Hendersonville utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. 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*. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that use for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28- 54 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 55 of this report.

Government-Wide Financial Analysis

The City of Hendersonville's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,561,279	\$ 12,801,180	\$ 21,995,009	\$ 25,555,520	\$ 33,556,288	\$ 38,356,700
Capital assets	19,729,705	18,864,032	65,881,462	61,940,706	85,611,167	80,804,738
Total assets	31,290,984	31,665,212	87,876,471	87,496,226	119,167,455	119,161,438
Long-term liabilities outstanding	5,326,955	5,458,025	15,105,069	16,996,337	20,432,024	22,454,362
Other liabilities	994,361	942,884	3,963,484	4,737,374	4,957,845	5,680,258
Total liabilities	6,321,316	6,400,909	19,068,553	21,733,711	25,389,869	28,134,620
Net assets:						
Invested in capital assets, net of related debt	16,738,488	13,737,365	48,628,499	43,280,673	65,366,987	57,018,038
Restricted	171,898	277,209			171,898	277,209
Unrestricted	8,059,282	11,249,729	20,179,419	22,481,842	28,238,701	33,731,571
Total net assets	\$ 24,969,668	\$ 25,264,303	\$ 68,807,918	\$ 65,762,515	\$ 93,777,586	\$ 91,026,818

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 \$93,777,586 as of June 30, 2010. Hendersonville's net assets *increased* by \$2,750,768 for the fiscal year ended June 30, 2010. However, the largest portion (71.8%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (0.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,238,701 (30.1%) 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 97.25% despite the economic turmoil of the past two years.
- Franchise tax receipts increased an estimated \$19,266.
- Income from business licenses increased by \$72,558 indicating that even though the economy has slowed new businesses are still coming to Hendersonville.
- Special project fees were up \$4,174 as compared to the prior year.
- Pool entrance fees and concessions were up \$9,912 as compared to the prior year.
- ABC revenues were consistent with prior year collections.

Governmental Activities. Governmental activities decreased Hendersonville's net assets by \$294,635 due to a decrease in revenue coupled with an increase in expenditures and transfers. Key elements of this decrease are as follows:

City of Hendersonville's Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 391,784	\$ 390,130	\$ 13,588,543	\$ 12,711,524	\$ 13,980,327	\$ 13,101,654
Operating grants & contributions	627,018	511,908	-	-	627,018	511,908
Capital grants and contributions	400,000	214,998	216,558	292,577	616,558	507,575
General revenues:						
Property taxes	6,850,657	6,827,965	-	-	6,850,657	6,827,965
Other taxes	3,423,126	3,542,686	-	-	3,423,126	3,542,686
Grants & contributions not restricted						
to specific programs	162,700	110,000	-	-	162,700	110,000
Other	114,757	394,186	41,060	516,874	155,817	911,060
Total revenues	11,970,042	11,991,873	13,846,161	13,520,975	25,816,203	25,512,848
Expenses:						
General government	2,181,689	2,043,475	-	-	2,181,689	2,043,475
Public safety	6,230,577	6,046,707	-	-	6,230,577	6,046,707
Transportation	1,869,352	1,928,695	-	-	1,869,352	1,928,695
Parks & drainage	223,094	799,405	-	-	223,094	799,405
Environmental	-	-	-	-	-	-
Economic development	453,538	342,472	-	-	453,538	342,472
Culture and recreation	588,305	197,333	-	-	588,305	197,333
Interest on long-term debt	229,642	232,634	-	-	229,642	232,634
Water and sewer			10,278,199	11,243,016	10,278,199	11,243,016
Solid Waste			1,011,039	1,016,654	1,011,039	1,016,654
Total expenses	11,776,197	11,590,721	11,289,238	12,259,670	23,065,435	23,850,391
Inc. in net assets before transfers	193,845	401,152	2,556,923	1,261,305	2,750,768	1,662,457
Transfers	(488,480)	(392,937)	488,480	392,937		
Increase in net assets	(294,635)	8,215	3,045,403	1,654,242	2,750,768	1,662,457
Net assets, July 1	25,264,303	25,256,088	65,762,515	64,108,273	91,026,818	89,364,361
Net assets, June 30	\$ 24,969,668	\$ 25,264,303	\$ 68,807,918	\$ 65,762,515	\$ 93,777,586	\$ 91,026,818

- Other taxes revenues decreased \$119,560 over the prior year. Most of the decrease was due to a lesser amount of sales tax due to the slow economy.
- Other revenues decreased by \$279,429. The majority of the decrease was due to a drop in interest income on investments.

Business-type Activities: Business-type activities increased the City's net assets by \$3,045,403 accounting for the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in operating revenues associated with a water and sewer fee rate adjustment.
- Decrease in overall expenditures due to less spending on capital projects.
- 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 \$6,023,111, while total fund balance reached \$7,881,113. 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 56.2 percent of total General Fund expenditures. Fund balance decreased due to the acquisition of property for a new fire station and public safety storage facility.

At June 30, 2010, the governmental funds of the City of Hendersonville reported a combined fund balance of \$10,878,039, a 15.0% decrease over last year. Included in this change in fund balance are decreases in fund balance of both the General Fund and Non-Major Funds. The decrease in the General Fund was due to a onetime acquisition of property as described above. The City also settled a property acquisition case that dated back to a FY 2005 annexation. The state of the economy caused sales tax distributions and interest income to be significantly lower than the prior year. Overall General Fund revenues were down when compared to last year by \$65,105. The Capital Reserved Fund decreased due to a transfer to the General Fund for capital projects.

Expenditures were down when compared to last year by \$54,835. As explained earlier operating transfers for land acquisition caused the decrease in fund balance. Operating grants increased during the year, mostly as a result of an aggressive grant application strategy undertaken by the Police, Public Works and Planning Departments during the current fiscal year. Stimulus funding in addition to grant awards received during the year furnished resources for three of the City of Hendersonville's functions: public safety, highways and streets, and parks and recreation.

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 conservative budgeting due to economic conditions. Expenditures were slightly less than the prior year due to an overall decrease in departmental spending for capital outlay and contracted services. During the year there was an increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$509,829 increase due to land acquisition for a new fire station.
- \$509,829 operating transfer to the Capital Reserve Fund.
- \$155,509 appropriation related to a previous annexation program.

Non-major governmental fund revenues were less than budgeted amounts primarily due to some grant funding that the City had expected to receive did not materialize as planned. The lack of funding was covered by transfers from the General Fund in order for the City to comply with its budgetary requirements.

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 \$19,510,039, and those for the Solid Waste Fund amounted to \$669,380. The total change in net assets for both funds was (\$2,400,549) and \$98,126 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, 2010, totaled \$85,611,167 (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 \$504,155. Equipment acquisition accounted for 21.3% of the total outlay.
- Street paving, road repair and sidewalk maintenance totaled \$174,366.
- Police Department vehicles and equipment for a total cost of \$93,651. Equipment acquisition accounted for 30.7% of the total outlay.
- Capital outlay improvements for Public Works totaling \$456,290.

City of Hendersonville's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,823,784	\$ 2,143,940	\$ 993,006	\$ 952,804	\$ 3,816,790	\$ 3,096,744
Buildings and systems	5,518,822	5,895,151	16,195,337	16,976,421	21,714,159	22,871,572
Improvements other than buildings	1,775,359	1,426,948	26,477,929	27,014,686	28,253,288	28,441,634
Machinery, equipment & software	482,557	517,313	216,133	177,055	698,690	694,368
Infrastructure	7,487,943	7,140,079	-	-	7,487,943	7,140,079
Vehicles and motorized equipment	1,641,240	1,740,601	498,884	632,050	2,140,124	2,372,651
Construction in progress	-	-	21,384,144	16,187,690	21,384,144	16,187,690
Total	\$ 19,729,705	\$ 18,864,032	\$ 65,765,433	\$ 61,940,706	\$ 85,495,138	\$ 80,804,738

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, 2010, Hendersonville had total bonded debt outstanding of \$3,025,000. Of this, \$2,770,000 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	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 2,770,000	\$ 2,910,000	\$ 255,000	\$ 520,000	\$ 3,025,000	\$ 3,430,000
Total	\$ 2,770,000	\$ 2,910,000	\$ 255,000	\$ 520,000	\$ 3,025,000	\$ 3,430,000

The City of Hendersonville's total debt decreased by \$2,286,844 or 9.6% during the past fiscal year, primarily due to principal and interest payments on all outstanding debt without incurring any new financial obligation during Fiscal Year 2009-10.

As mentioned in the financial highlights section of this document, the City maintained its AA- bond rating from Standard and Poor's Corporation and Aa 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 \$117,394,100. The City did not issue any new debt related to bonds or installment contracts as of June 30, 2010.

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, 2010, 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 pages 47-50 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 County's unemployment rate of 8.2% was below the State average of 10% as of June 30, 2010.
- 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, 2011

Governmental Activities: Property taxes were budgeted conservatively at a 0.36 percent decrease 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 about 1.0 percent. This is due to the state of the economy trying to rebound from the past financial crisis and economic meltdown that continues to affect our revenue collections. Overall, budgeted revenues are estimated to be about 2.75 percent or \$302,660 less than the prior year.

Budgeted expenditures in the General Fund are expected to decline 2.9 percent, which represents an overall decrease of \$357,760. Most of this decrease is attributable to the acquisition of capital assets that were put on hold until next year or when the economic climate becomes more favorable. Increases in personnel and operating costs were more than offset by decreases in special appropriations and operating transfers.

Business-type Activities: The water rates in the City will increase for all customer classifications. The majority of City residential customers will see about a 10% increase. Total water and sewer appropriations will decrease by 14.1% with the majority of the decrease being attributable to fewer funds budgeted for capital outlay. Total operating costs will decrease 1.6 percent due to a decrease in the amount of funds budgeted for utilities and contracted services. Personnel costs will remain about the same as the prior year.

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, 145 Fifth Avenue East, Hendersonville, North Carolina 28793. *File: MSWORD Blank_MDA_City2010.1*

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2010

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,774,403	\$ 19,419,762	\$ 28,194,165	\$ 986,498
Receivables (net)				
Taxes	265,865		265,865	
Accounts	40,166	1,558,882	1,599,048	202
Grants	123	214,986	215,109	
Shared taxes	628,152	1,975	630,127	
Refundable taxes	65,759	163,932	229,691	
Due from component unit	25,000		25,000	
Inventories		635,472	635,472	475,958
Prepaid items				10,858
Restricted cash-unspent bond proceeds	1,761,811		1,761,811	
Total current assets	<u>\$ 11,561,279</u>	<u>\$ 21,995,009</u>	<u>\$ 33,556,288</u>	<u>\$ 1,473,516</u>
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 2,823,784	\$ 22,377,150	\$ 25,200,934	\$ 263,794
Other capital assets, net of depreciation	16,905,921	43,504,312	60,410,233	535,092
Total capital assets	<u>\$ 19,729,705</u>	<u>\$ 65,881,462</u>	<u>\$ 85,611,167</u>	<u>\$ 798,886</u>
Total assets	<u>\$ 31,290,984</u>	<u>\$ 87,876,471</u>	<u>\$ 119,167,455</u>	<u>\$ 2,272,402</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 184,582	\$ 146,415	\$ 330,997	\$ 344,925
Salaries payable	229,547	110,090	339,637	
Unearned revenue	3,247		3,247	
Customer deposits		160,375	160,375	
Accrued interest payable	49,652	129,222	178,874	
Due to primary government				25,000
Construction loan		492,148	492,148	
Current portion of long-term liabilities	527,333	1,997,367	2,524,700	
Retainages payable on construction projects		927,867	927,867	
Total current liabilities	<u>\$ 994,361</u>	<u>\$ 3,963,484</u>	<u>\$ 4,957,845</u>	<u>\$ 369,925</u>
Long-term liabilities due in more than one year	<u>\$ 5,326,955</u>	<u>\$ 15,105,069</u>	<u>\$ 20,432,024</u>	
Total liabilities	<u>\$ 6,321,316</u>	<u>\$ 19,068,553</u>	<u>\$ 25,389,869</u>	<u>\$ 369,925</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 16,738,488	\$ 48,628,499	\$ 65,366,987	\$ 798,886
Restricted for:				
Transportation	171,898		171,898	
Capital improvements				30,629
Working capital				140,836
Unrestricted	<u>8,059,282</u>	<u>20,179,419</u>	<u>28,238,701</u>	<u>932,126</u>
Total net assets	<u>\$ 24,969,668</u>	<u>\$ 68,807,918</u>	<u>\$ 93,777,586</u>	<u>\$ 1,902,477</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, 2010

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,181,689			
Public safety	6,230,577	\$ 153,171	\$ 104,108	
Transportation	1,869,352	69,058	522,910	
Parks and drainage	223,094	15,000		
Economic and physical development	453,538			
Cultural and recreational	588,305	154,555		\$ 400,000
Interest on long-term debt	229,642			
	<u>\$ 11,776,197</u>	<u>\$ 391,784</u>	<u>\$ 627,018</u>	<u>\$ 400,000</u>
Total governmental activities (Note 1)				
Business-type activities:				
Water and Sewer	\$ 10,278,199	\$ 12,892,729		\$ 216,558
Solid Waste	1,011,039	695,814		
	<u>\$ 11,289,238</u>	<u>\$ 13,588,543</u>		<u>216,558</u>
Total business-type activities				
Total primary government	<u>\$ 23,065,435</u>	<u>\$ 13,980,327</u>	<u>\$ 627,018</u>	<u>\$ 616,558</u>
Component Unit:				
ABC Board	\$ 3,715,719	\$ 3,690,452		
	<u>\$ 3,715,719</u>	<u>\$ 3,690,452</u>		
Total component unit				

General revenues:

Taxes:
 Property taxes, levied for general purposes
 Sales taxes
 Franchise taxes
 Licenses
 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, 2010

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (2,181,689)		\$ (2,181,689)	
(5,973,298)		(5,973,298)	
(1,277,384)		(1,277,384)	
(208,094)		(208,094)	
(453,538)		(453,538)	
(33,750)		(33,750)	
<u>(229,642)</u>		<u>(229,642)</u>	
\$ <u>(10,357,395)</u>		\$ <u>(10,357,395)</u>	
	\$ 2,831,088	\$ 2,831,088	
	<u>(315,225)</u>	<u>(315,225)</u>	
	\$ 2,515,863	\$ 2,515,863	
\$ <u>(10,357,395)</u>	\$ <u>2,515,863</u>	\$ <u>(7,841,532)</u>	
			\$ <u>(25,267)</u>
			\$ <u>(25,267)</u>
\$ 6,850,657		\$ 6,850,657	
2,205,038		2,205,038	
1,023,264		1,023,264	
158,441		158,441	
36,383		36,383	
162,700		162,700	
43,068	\$ 31,176	74,244	\$ 16,049
71,689	9,884	81,573	
(488,480)	488,480	0	
\$ <u>(294,635)</u>	\$ <u>3,045,403</u>	\$ <u>2,750,768</u>	<u>(9,218)</u>
<u>25,264,303</u>	<u>65,762,515</u>	<u>91,026,818</u>	<u>1,911,695</u>
\$ <u>24,969,668</u>	\$ <u>68,807,918</u>	\$ <u>93,777,586</u>	\$ <u>1,902,477</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, 2010

	Major Funds			Total Governmental Funds
	General Fund	Capital Reserve Fund	Total Non-Major Funds	
Assets:				
Cash and cash equivalents	\$ 7,539,060	\$ 1,146,121	\$ 89,222	\$ 8,774,403
Restricted cash and cash equivalents			1,761,811	1,761,811
Receivables (net)				
Taxes	256,551		9,314	265,865
Accounts	39,928		238	40,166
Grants	11,800		123	11,923
Shared taxes	616,352			616,352
Refundable taxes	63,211		2,548	65,759
Interfund balances	123			123
Due from component unit	25,000			25,000
	<u>\$ 8,552,025</u>	<u>\$ 1,146,121</u>	<u>\$ 1,863,256</u>	<u>\$ 11,561,402</u>
Total assets				
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 183,038		\$ 1,544	\$ 184,582
Salaries payable	229,547			229,547
Interfund balances			123	123
Deferred revenues	258,327		10,784	269,111
	<u>\$ 670,912</u>	<u>\$ 1,146,121</u>	<u>\$ 12,451</u>	<u>\$ 683,363</u>
Total liabilities				
Fund balances:				
Reserved for:				
State statute	\$ 756,414		\$ 2,786	\$ 759,200
Streets-Powell Bill	171,898			171,898
Unreserved, General Fund:				
Designated subsequent year's expenditures	929,690			929,690
Undesignated	6,023,111			6,023,111
Unreserved, reported in:				
Special Revenue funds		\$ 1,146,121	81,052	1,227,173
Capital Projects Fund			1,766,967	1,766,967
	<u>\$ 7,881,113</u>	<u>\$ 1,146,121</u>	<u>\$ 1,850,805</u>	<u>\$ 10,878,039</u>
Total fund balances				
Total liabilities and fund balances				
	<u>\$ 8,552,025</u>	<u>\$ 1,146,121</u>	<u>\$ 1,863,256</u>	<u>\$ 11,561,402</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, 2010

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>\$ 19,729,705</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	\$ 265,865
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(49,652)
Bonds payable	(2,770,000)
Notes payable	(1,983,334)
Compensated absences payable	(511,805)
Other post-employment benefits	(281,156)
Net pension benefit-Special Separation Allowance	<u>(307,993)</u>
Total adjusting items	\$ 14,091,630
Total fund balances	<u>10,878,039</u>
Net assets of governmental activities	<u>\$ 24,969,668</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, 2010

	Major Funds			
	General Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 6,656,774		\$ 252,765	\$ 6,909,539
Other taxes and licenses	158,441			158,441
Unrestricted intergovernmental	3,281,844		103,100	3,384,944
Restricted intergovernmental	479,425		634,009	1,113,434
Permits and fees	21,647			21,647
Sales and services	241,313			241,313
Investment earnings	34,487	\$ 4,454	4,127	43,068
Miscellaneous	156,538			156,538
Total revenues	\$ 11,030,469	\$ 4,454	\$ 994,001	\$ 12,028,924
Expenditures:				
General government	\$ 2,097,013	\$ 6,204		\$ 2,103,217
Public safety	5,728,184		\$ 744,232	6,472,416
Transportation	1,567,854		433,407	2,001,261
Parks and drainage	527,228			527,228
Economic and physical development			453,538	453,538
Cultural and recreational	185,676		402,629	588,305
Debt service:				
Principal	373,333			373,333
Interest and fees	232,928			232,928
Total expenditures	\$ 10,712,216	\$ 6,204	\$ 2,033,806	\$ 12,752,226
Revenues over (under) expenditures	\$ 318,253	\$ (1,750)	\$ (1,039,805)	\$ (723,302)
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (488,480)			\$ (488,480)
General Fund / Capital Reserve Fund	361,070	\$ (361,070)		
General Fund / Capital Project Fund	(509,829)		\$ 509,829	
Cap. Reserve Fund / Cap Project Fund		(175,171)	175,171	
General Fund / Special Revenue Fund	47,200		(47,200)	
^a Total other financing sources (uses)	\$ (590,038)	\$ (536,241)	\$ 637,800	\$ (488,480)
Net change in fund balances	\$ (271,785)	\$ (537,991)	\$ (402,005)	\$ (1,211,782)
Fund balances:				
Beginning of year, July 1	8,152,898	1,684,112	2,252,810	12,089,820
End of year, June 30	<u>\$ 7,881,113</u>	<u>\$ 1,146,121</u>	<u>\$ 1,850,805</u>	<u>\$ 10,878,038</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, 2010

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 2,021,203
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,155,530)</u>
The amount by which capital outlays exceeded depreciation in the current period was	<u>\$ 865,673</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	<u>\$ (58,882)</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>\$ 373,333</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 accrued interest payable	\$ 3,286
Change in compensated absences	(79,689)
Change in other post-employment benefits	(176,070)
Change in net pension obligation	<u>(10,504)</u>
	<u>\$ (262,977)</u>
Total adjusting items	\$ 917,147
Net changes in fund balances - total governmental funds	<u>(1,211,782)</u>
Total changes in net assets of governmental activities	<u>\$ (294,635)</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, 2010

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,497,000	\$ 6,497,000	\$ 6,656,774	\$ 159,774
Other taxes and licenses	72,000	72,000	158,441	86,441
Unrestricted intergovernmental	3,449,500	3,449,500	3,281,844	(167,656)
Restricted intergovernmental	423,360	423,360	479,425	56,065
Permits and fees	16,000	16,000	21,647	5,647
Sales and services	160,000	160,000	241,313	81,313
Investment earnings	158,000	158,000	34,487	(123,513)
Miscellaneous	31,850	94,690	156,538	61,848
Total revenues	\$ 10,807,710	\$ 10,870,550	\$ 11,030,469	\$ 159,919
Expenditures:				
General government	\$ 2,377,390	\$ 2,537,899	\$ 2,097,013	\$ 440,886
Public safety	5,782,340	5,846,680	5,728,184	118,496
Transportation	2,016,700	2,091,700	1,567,854	523,846
Parks and drainage	559,990	634,990	527,228	107,762
Cultural and recreational	208,170	208,170	185,676	22,494
Debt service:				
Principal	373,350	373,350	373,333	17
Interest and fees	269,480	269,480	232,928	36,552
Total expenditures	\$ 11,587,420	\$ 11,962,269	\$ 10,712,216	\$ 1,250,053
Revenues over (under) expenditures	\$ (779,710)	\$ (1,091,719)	\$ 318,253	\$ 1,409,972
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (488,480)	\$ (488,480)	\$ (488,480)	
Capital Reserve Fund (net)	361,070	361,070	361,070	
General Fund (net)				
Nonmajor special revenue funds (net)	47,200	40,700	47,200	\$ 6,500
Nonmajor capital project fund		(509,828)	(509,828)	
Contingencies budgeted (expenditures)	(150,000)	(150,000)		150,000
Fund balance appropriated	1,009,920	1,838,257		(1,838,257)
Total other financing sources (uses)	\$ 779,710	\$ 1,091,719	\$ (590,038)	\$ (1,681,757)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (271,785)	\$ (271,785)
Fund balances:				
Beginning of year, July 1			<u>8,152,898</u>	
End of year, June 30			<u>\$ 7,881,113</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, 2010

Exhibit 5

Special Revenue Fund - Capital Reserve Fund			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Final	Actual	
\$ 10,000	\$ 10,000	\$ 4,454	\$ (5,546)
\$ 10,000	\$ 10,000	\$ 4,454	\$ (5,546)
\$ 0	\$ 0	\$ 6,204	\$ (6,204)
\$ 0	\$ 0	\$ 6,204	\$ (6,204)
\$ 10,000	\$ 10,000	\$ (1,750)	\$ (11,750)
\$ (361,070)	\$ (361,070)	\$ (361,070)	
	(175,171)	(175,171)	
351,070	526,241		\$ (526,241)
\$ (10,000)	\$ (10,000)	\$ (536,241)	\$ (526,241)
\$ 0	\$ 0	\$ (537,991)	\$ (537,991)
		1,684,112	
		\$ 1,146,121	

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, 2010

Exhibit 6

Business Type Activities - Enterprise Funds			
	Solid Waste Fund	Water and Sewer Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 644,905	\$ 18,774,857	\$ 19,419,762
Investments			0
Accounts receivable (net)	91,025	1,467,857	1,558,882
Sales taxes refundable	3,039	160,893	163,932
Shared taxes receivable	1,975		1,975
Grants receivable		214,986	214,986
Inventories		635,472	635,472
Total current assets	\$ 740,944	\$ 21,254,065	\$ 21,995,009
Noncurrent assets:			
Land and other non-depreciable assets		\$ 22,377,150	\$ 22,377,150
Other capital assets, net of depreciation	\$ 116,029	43,388,283	43,504,312
Capital assets (net)	\$ 116,029	\$ 65,765,433	\$ 65,881,462
Total noncurrent assets	\$ 116,029	\$ 65,765,433	\$ 65,881,462
Total Assets	\$ 856,973	\$ 87,019,498	\$ 87,876,471
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 21,036	\$ 125,379	\$ 146,415
Salaries payable	12,627	97,463	110,090
Customer deposits		160,375	160,375
Construction loan		492,148	492,148
Accrued bond and note interest		129,222	129,222
Compensated absences-current	6,000	53,000	59,000
Bonds payable-current		255,000	255,000
Notes payable -current		1,683,367	1,683,367
Construction retainages payable		927,867	927,867
Total current liabilities	\$ 39,663	\$ 3,923,821	\$ 3,963,484
Noncurrent liabilities:			
Compensated absences	\$ 12,376	\$ 123,809	\$ 136,185
Other postemployment benefits	19,525	126,911	146,436
Notes payable		14,822,448	14,822,448
Total noncurrent liabilities	\$ 31,901	\$ 15,073,168	\$ 15,105,069
Total Liabilities	\$ 71,564	\$ 18,996,989	\$ 19,068,553
NET ASSETS			
Invested in capital assets, net of related debt	\$ 116,029	\$ 48,512,470	\$ 48,628,499
Unrestricted	669,380	19,510,039	20,179,419
Total Net Assets	\$ 785,409	\$ 68,022,509	\$ 68,807,918

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, 2010

Exhibit 7

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 686,957	\$ 12,494,480	\$ 13,181,437
Other operating revenues	8,857	398,249	407,106
Total operating revenues	\$ 695,814	\$ 12,892,729	\$ 13,588,543
Operating expenses:			
Administration		\$ 742,867	\$ 742,867
Business operations		913,457	913,457
Water treatment and distribution		4,239,810	4,239,810
Waste collection and treatment	\$ 985,301	1,918,787	2,904,088
Depreciation	25,738	1,774,318	1,800,056
Total operating expenses	\$ 1,011,039	\$ 9,589,239	\$ 10,600,278
Operating income (loss)	\$ (315,225)	\$ 3,303,490	\$ 2,988,265
Non-operating revenues (expenses):			
Interest earned on investments	\$ 13	\$ 31,163	\$ 31,176
Capital grants		216,558	216,558
Other		9,884	9,884
Interest on long-term debt		(688,960)	(688,960)
Total non-operating revenues (net)	\$ 13	\$ (431,355)	\$ (431,342)
Income (loss) before contributions and transfers:	\$ (315,212)	\$ 2,872,135	\$ 2,556,923
Transfer from General Fund	387,600	100,880	488,480
Change in net assets	\$ 72,388	\$ 2,973,015	\$ 3,045,403
Total net assets - beginning, July 1	713,021	65,049,494	65,762,515
Total net assets - ending, June 30	\$ 785,409	\$ 68,022,509	\$ 68,807,918

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, 2010

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 684,048	\$ 12,237,458	\$ 12,921,506
Cash paid for goods and services	(557,578)	(4,010,339)	(4,567,917)
Cash paid to employees for services	(425,872)	(4,006,400)	(4,432,272)
Customer deposits received		104,680	104,680
Customer deposits returned		(96,530)	(96,530)
Other operating revenue	8,979	398,249	407,228
Net cash provided (used) by operating activities	\$ (290,423)	\$ 4,627,118	\$ 4,336,695
Cash flows from noncapital and financing related activity:			
Operating subsidy-General Fund	\$ 387,600	\$ 100,880	\$ 488,480
Net cash provided by noncapital and related financing activity	\$ 387,600	\$ 100,880	\$ 488,480
Cash flows from capital and related financing activities:			
Construction loan proceeds		\$ 492,148	\$ 492,148
Capital contributed-federal grants		294,149	294,149
Acquisition and construction of capital assets		(6,857,624)	(6,857,624)
Principal paid on bonds		(265,000)	(265,000)
Principal paid on notes		(1,648,510)	(1,648,510)
Interest on bonds and notes		(689,982)	(689,982)
Net cash provided (used) by capital and related financing activities	\$ 0	\$ (8,674,819)	\$ (8,674,819)
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		\$ 2,760,000	\$ 2,760,000
Interest on investments	\$ 13	31,163	31,176
Net cash provided by investing activities	\$ 13	\$ 2,791,163	\$ 2,791,176
Net increase / (decrease) in cash and cash equivalents	\$ 97,190	\$ (1,155,658)	\$ (1,058,468)
Cash and cash equivalents:			
Balances - beginning of year	547,715	19,930,515	20,478,230
Balances - end of year	\$ 644,905	\$ 18,774,857	\$ 19,419,762

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, 2010

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)	\$ (315,225)	\$ 3,303,490	\$ 2,988,265
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	\$ 25,738	\$ 1,774,318	\$ 1,800,056
Amortization of bond refunding premium		14,292	14,292
Increase (decrease) in allowance for uncollectible accounts	(10,176)	(13,729)	(23,905)
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(1,414)	(243,293)	(244,707)
Refundable taxes receivable	(540)	(57,816)	(58,356)
Shared taxes receivable	(1,975)		(1,975)
Inventory		(205,025)	(205,025)
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	(1,779)	138,882	137,103
Salaries payable	779	(8,143)	(7,364)
Customer deposits		8,150	8,150
Compensated absences payable	(938)	(8,390)	(9,328)
Other postemployment benefits	15,107	(75,618)	(60,511)
Total adjustments	\$ 24,802	\$ 1,323,628	\$ 1,348,430
Net cash provided (used) by operating activities	\$ (290,423)	\$ 4,627,118	\$ 4,336,695

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit 9

June 30, 2010

ASSETS

Cash	<u>\$ 416</u>
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LIABILITIES

Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 416</u>
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The notes to the financial statements are an integral part of this statement

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010

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 issued for governmental purposes.

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 major 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 seven nonmajor Special Revenue Funds:

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. Governor's Highway Safety Program Grant Fund was established to administer a federal grant to purchase two motorcycles and safety equipment for the Police Department.
4. Justice Assistance Grant Local Solicitation Program Grant Fund was established to administer a federal grant to provide training and investigation equipment and support for the Police Department.
5. Justice Assistance Grant Police Incident and Crime Scene Investigation Program was established to administer a federal grant to assist the police departments in processing crime scene evidence.
6. Oakdale Cemetery Road Widening Project Grant Fund was established to administer a federal grant to purchase property and rights of way to facilitate the widening of U S Highway 64, which bisects the City's Oakdale Cemetery.
7. Oklawaha Greenway Phase II Grant Fund was established to administer a federal state grant to extend existing pedestrian walkways and bicycle paths.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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 Project Fund was established to account for the use of the proceeds of general obligation bonds issued during the 2008-2009 year, for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks.
2. East Side Fire Station Construction Project Fund was established to account for the construction of a fire station in the City's East Side. During the current year, land and an existing building were purchased. Substantial renovation of the existing building is scheduled for future years.

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.

The City reports the following fund type:

Agency Fund - Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the City is required to remit to the Henderson County Board of Public Education.

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, 2010

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, 2009 through February, 2010 apply to the fiscal year ended June 30, 2010.

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 2010-2011 fiscal year and are not shown as receivables at June 30, 2010. 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, 2010, because they are intended to finance the City's operations during the 2010-2011 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, 2010

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 4, 2009. 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, 2010, 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

JUNE 30, 2010

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 \$2.1 million of general obligation bonds held in the Sidewalk Construction Fund are classified as restricted assets for the capital project fund, because their use is completely restricted to the purpose for which the bonds were issued. At June 30, 2010 there was \$1,761,811 of unspent bond proceeds.

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

JUNE 30, 2010

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
Computer Software	5 years
Maintenance and Construction Equipment	10 years
Trucks and Autos	10 years
Buildings	30 years
Water and Sewer Lines	50 years
Infrastructure - Roads, Sidewalks, Gutters	25 years
Infrastructure - Bridges	50 years

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

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

Long-Term Obligations:

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

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

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS:

Deposits:

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

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

All deposits of the City and the City of Hendersonville Board of Alcoholic Control are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. 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, 2010, the City's deposits had a carrying amount of \$2,833,760 and a bank balance of \$3,173,046. At June 30, 2010 the City's petty cash fund totaled \$2,575.

Of the bank balance at June 30, 2010, \$1,250,000 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 \$1,923,046 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, 2010, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

At June 30, 2010, the ABC Board's deposits had a carrying amount of \$981,798 and a bank balance of \$977,774. Federal Depository Insurance covered \$250,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

At June 30, 2010, the City of Hendersonville had \$27,119,641 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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.

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	\$ 133,750
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 4,894
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 199
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 34,202
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	\$ 38,129

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)	\$ 256,550	\$ 1,777
Taxes receivable (Special Revenue Funds)	9,314	
Unspent grants (Special Revenue Funds)	_____	1,470
Totals	<u>\$ 265,864</u>	<u>\$ 3,247</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010 was as follows:

Governmental activities:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not being depreciated				
Land	\$ 2,143,940	\$ 679,844	<u> </u>	\$ 2,823,784
Total	<u>\$ 2,143,940</u>	<u>\$ 679,844</u>	<u>\$ -</u>	<u>\$ 2,823,784</u>
Capital assets being depreciated:				
Buildings	\$ 7,952,460			\$ 7,952,460
Other improvements	3,367,245	471,404		3,838,649
Equipment	1,221,858	12,098		1,233,956
Software		60,961		60,961
Vehicles	3,641,248	119,651	150,105	3,610,794
Infrastructure	<u>10,899,467</u>	<u>677,245</u>	<u> </u>	<u>11,576,712</u>
Totals	<u>\$ 27,082,278</u>	<u>\$ 1,341,359</u>	<u>\$ 150,105</u>	<u>\$ 28,273,532</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 2,057,309	\$ 376,329		\$ 2,433,638
Other improvements	1,940,297	122,993		2,063,290
Equipment	704,545	98,671		803,216
Software		9,144		9,144
Vehicles	1,900,647	219,012	\$ 150,105	1,969,554
Infrastructure	<u>3,759,388</u>	<u>329,381</u>	<u> </u>	<u>4,088,769</u>
Totals	<u>\$ 10,362,186</u>	<u>\$ 1,155,530</u>	<u>\$ 150,105</u>	<u>\$ 11,367,611</u>
Assets being depreciated, net	<u>\$ 16,720,092</u>	<u>\$ 185,829</u>	<u>\$ -</u>	<u>\$ 16,905,921</u>
Governmental-type capital assets, net	<u>\$ 18,864,032</u>			<u>\$ 19,729,705</u>
General Government		\$ 136,113		
Public Safety		328,158		
Transportation		563,611		
Parks		<u>127,648</u>		
Total depreciation expense		<u>\$ 1,155,530</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Business-type activities:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Solid Waste Fund:				
Capital assets being depreciated:				
Vehicles	\$ 571,518	_____	_____	\$ 571,518
Less accumulated depreciation for:				
Vehicles	\$ 429,751	\$ 25,738	\$ -	\$ 455,489
Solid Waste Fund:				
Capital assets, net	<u>\$ 141,767</u>			<u>\$ 116,029</u>
Water & Sewer Fund:				
Land	\$ 952,807	\$ 40,199		\$ 993,006
Construction	16,187,690	5,196,454	_____	21,384,144
Total	<u>\$ 17,140,497</u>	<u>\$ 5,236,653</u>	\$ -	<u>\$ 22,377,150</u>
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	22,839,660			22,839,660
Lines and related equipment	33,607,781	\$ 423,785		34,031,566
Equipment	832,541	80,370		912,911
Vehicles	1,331,172			1,331,172
Tanks and reservoirs	5,293,651			5,293,651
Totals	<u>\$ 65,557,544</u>	<u>\$ 504,155</u>	\$ -	<u>\$ 66,061,699</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 425,374	\$ 55,091		\$ 480,465
Treatment facilities	7,090,603	725,994		7,816,597
Lines and related equipment	10,251,648	711,205		10,962,853
Equipment	655,486	41,292		696,778
Vehicles	840,889	107,428		948,317
Tanks and reservoirs	1,635,098	133,308	_____	1,768,406
Totals	<u>\$ 20,899,098</u>	<u>\$ 1,774,318</u>	\$ -	<u>\$ 22,673,416</u>
Assets being depreciated, net	<u>\$ 44,658,446</u>	<u>\$ (1,270,163)</u>	\$ -	<u>\$ 43,388,283</u>
Water & Sewer Fund capital assets, net	<u>\$ 61,798,943</u>			<u>\$ 65,765,433</u>
Business-type capital assets, net	<u>\$ 61,940,710</u>			<u>\$ 65,881,462</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Capital asset activity for the ABC Board for the year ended June 30, 2010 was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not being depreciated				
Land	\$ 263,794			\$ 263,794
Capital assets being depreciated:				
Buildings	\$ 600,554			\$ 600,554
Real estate improvements	204,960	\$ 20,369		225,329
Furniture and equipment	133,245	16,716		149,961
Vehicles	26,646			26,646
Computer equipment & software	<u>37,518</u>	<u>2,302</u>		<u>39,820</u>
Totals	<u>\$ 1,002,923</u>	<u>\$ 39,387</u>	<u>\$ -</u>	<u>\$ 1,042,310</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 275,840	\$ 15,114		\$ 290,954
Real estate improvements	50,888	8,220		59,108
Furniture and equipment	91,808	9,530		101,338
Vehicles	26,646			26,646
Computer equipment & software	<u>22,787</u>	<u>6,381</u>		<u>29,168</u>
Totals	<u>\$ 467,969</u>	<u>\$ 39,245</u>	<u>\$ -</u>	<u>\$ 507,214</u>
Assets being depreciated, net	<u>\$ 534,954</u>	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ 535,096</u>
ABC Board capital assets, net	<u>\$ 798,748</u>			<u>\$ 798,890</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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 4.86% 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>2010</u>	<u>2009</u>	<u>2008</u>
City	\$416,513	\$415,052	\$386,388
ABC Board	\$ 46,818	\$ 46,087	\$ 43,255

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010 were \$297,866, which consisted of \$88,914 from the City and \$208,952 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.

All full-time City law enforcement officers are covered by the system. At December 31, 2009 the system's membership consisted of:

Retirees receiving benefits	3
Active plan members	<u>40</u>
Total	<u>43</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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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	\$ 63,168
Interest on net pension obligation	21,568
Adjustment to annual required contribution	(18,740)
Annual pension cost	\$ 65,996
Contributions made	(55,492)
Increase in net pension obligation	\$ 10,504
Net pension obligation beginning of year	<u>297,489</u>
Net pension obligation end of year	<u>\$ 307,993</u>

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$58,110	67.88%	\$290,832
6/30/2009	\$62,149	89.29%	\$297,489
6/30/2010	\$65,996	84.08%	\$307,993

Actuarial Information:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Funded Status and Funding Progress:

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$782,709. The covered payroll (annual payroll of active employees covered by the plan) was \$1,851,891 and the ratio of the UAAL to the covered payroll was 42.27 percent. The funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

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 \$1,423 for the State's contribution to the Fund on behalf of the seven firemen who were participating.

Other Post-Employment Benefits

HealthCare and Death Benefit Plan

Plan Description:

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 becomes eligible for Medicare at the age of 65. A separate report is not issued by the plan.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

As of year end, there are forty-nine (49) employees eligible for the death benefit with the total liability equal to \$245,000. The City paid out \$5,000 in fiscal year 2009-2010. The actuarial information presented below covers both the healthcare and the death benefit liability.

Membership of the HealthCare Benefit Plan (HCB) consisted of the following at December 31, 2009, the date of the latest actuarial valuation.

	<u>General Employees</u>	<u>Law Enforcement</u>
Retirees and dependents receiving benefits	48	3
Active plan members	<u>161</u>	<u>40</u>
Totals	<u>209</u>	<u>43</u>

Funding Policy:

The City pays the full cost of coverage (\$522 per month) for the healthcare benefits paid to qualified retirees. The City's retirees pay \$251 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 4.06% of annual covered payroll. For the current year, the City contributed \$120,653 or 1.04% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under the City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.61 and 0.64% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$13,000. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies:

Postemployment expenditures are made from the General Fund, the Water & Sewer Fund and the Solid Waste Fund, depending on which fund had employed the retired employee, and reported on the modified accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Annual required contribution	\$ 349,061
Interest on OPEB obligation	7,924
Adjustment to annual required contribution	(6,836)
Annual OPEB cost	\$ 350,149
Contributions made	(120,653)
Increase in net OPEB obligation	\$ 229,496
Net OPEB obligation beginning of year	198,096
Net OPEB obligation end of year	\$ 427,592

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$336,444	41.12%	\$198,096
6/30/2010	\$350,149	34.46%	\$427,592

Funding Status and Funding Progress:

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$3,641,577. The covered payroll (annual payroll of active employees covered by the plan) was \$8,593,288, and the ratio of the UAAL to the covered payroll was 42.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

Actuarial Information:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0%
Medical cost trend rate	10.5% to 5%
Includes inflation at	3.75%

Short-Term Debt:

Construction Loan General Obligation Indebtedness

During the 2009-10 year, the City was approved for a loan from the Drinking Water State Revolving Fund, a federal loan program, administered by the states. On September 11, 2009, the City executed a promissory note to the State of North Carolina for \$909,937 for future draws against the loan for construction on the Brightwater Heights Water System Project. During the year, the City received draws of \$492,148.

Repayment terms of the note provide for a 20 year repayment, with equal amounts of principal each May 1, with interest due every May 1 and November 1, on the unpaid balance at an annual rate of 2.48%. Payments and interest accrual are due not less than six months after, nor more than twelve months after the project's completion and certification of approval. The final amount of actual borrowing is yet to be determined. It could be increased by up to 10% if needed, but current projections are that less than the approved amount will be required. Due to the uncertainty in the actual amount of the principal and future payments. The loan proceeds are reported in the statement of net assets as "construction loan" and not as a component of long-term debt

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:	\$ 720,000
Interest due each May 1 and November 1 at rates from 4.75% to 5.0%	
\$90,000 principal due each May 1	
2008 Sidewalk Construction Bonds:	2,050,000
Interest due each March 1 and September 1 at rates from 3.5% to 4.3%	
Varying amounts of principal due each March 1,	
1998 Water and Sewer Refunding Bonds:	<u>255,000</u>
Interest due each May 1 and November 1 at rates from 4.0% to 4.5%	
Final principal payment due May 1, 2011	
Total General Obligation Bonds	<u>\$3,025,000</u>

Notes Payable

The City is liable on notes payable for money borrowed to renovate City Hall, for water and sewer line extensions, and expansion projects at the water and the sewer plants, 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 and plant expansions are paid by the Water and Sewer Fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 1,983,334
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	7,849,655
Fixed payment of \$608,680 due each March 19 and September 19 including principal and interest at 3.9% including principal and interest at 3.9%	

State of North Carolina Revolving Loan Fund Clean Water Bonds	706,160
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	7,950,000
Wastewater Treatment Plant Expansion Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	

Total Notes Payable	<u>\$18,489,149</u>
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Capital Leases

The City is not a party to any capital leases.

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, 2010, 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 \$186,184 was reported in previous financial statements as a deduction from bonds payable and was 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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>
2011	\$ 373,333	\$ 196,415	\$ 1,938,367	\$ 564,295
2012	423,333	180,688	1,719,597	493,852
2013	423,334	163,212	1,757,253	433,457
2014	423,334	145,485	1,796,392	371,579
2015	423,334	127,758	1,837,072	308,159
2016-2020	1,686,666	331,366	6,387,134	662,575
2021-2025	600,000	176,600	1,325,000	57,836
Thereafter	<u>400,000</u>	<u>31,950</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,753,334</u>	<u>\$ 1,353,474</u>	<u>\$ 16,760,815</u>	<u>\$ 2,891,753</u>

Changes in long-term liabilities:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 2,910,000		\$ 140,000	\$ 2,770,000	\$ 140,000
Notes payable	2,216,667		233,333	1,983,334	233,333
Compensated absences	432,116	\$ 370,326	290,637	511,805	154,000
Other postemployment benefits	105,086	176,070		281,156	-
Net pension obligation	<u>297,489</u>	<u>10,504</u>		<u>307,993</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 5,961,358</u>	<u>\$ 556,900</u>	<u>\$ 663,970</u>	<u>\$ 5,854,288</u>	<u>\$ 527,333</u>
Business-type activities:					
General obligation bonds	\$ 520,000		\$ 265,000	\$ 255,000	\$ 255,000
Less deferred amount for loss on defeasance	(14,292)		(14,292)	-	-
Total bonds, net	\$ 505,708		\$ 250,708	\$ 255,000	\$ 255,000
Notes payable	18,154,326		1,648,511	16,505,815	1,683,367
Compensated absences	204,513	\$ 157,454	166,782	195,185	59,000
Other postemployment benefits	<u>93,010</u>	<u>53,426</u>	<u>-</u>	<u>146,436</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 18,957,557</u>	<u>\$ 210,880</u>	<u>\$ 2,066,001</u>	<u>\$ 17,102,436</u>	<u>\$ 1,997,367</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, was \$117,394,110. 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.

C. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2010, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for seven participating employed firemen in the amount of \$1,423.

Also, the City has recognized as a revenue and an expenditure \$26,497 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, 2010. 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, 2010, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund- Oakdale Cemetery Road Widening Grant Fund	<u>\$ 123</u>

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Component Unit Hendersonville ABC Board	<u>\$ 25,000</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Interfund transfers of the City of Hendersonville for the year ended June 30, 2010 consist of the following:

Transfers to Enterprise Funds:

General Fund to Water and Sewer Fund \$100,880
This transfer was to reimburse the Water and Sewer Fund for the principal and interest 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 \$387,600
This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

Transfers to Governmental Funds:

General Fund to Capital Reserve Fund \$509,829
This transfer was to provide a contribution to the Capital Reserve Fund to be used for capital construction and acquisition in future years.

General Fund to East Side Fire Station Construction Project Fund \$ 509,828
This transfer was to provide funds to purchase land and an existing building to be renovated into a fire station on the City's East Side.

General Fund to Seventh Avenue Tax District Fund \$ 52,800
This transfer was to assist the Seventh Avenue Tax District Fund in paying for certain capital improvements in the district.

Capital Reserve Fund to General Fund \$509,829
This transfer was to provide a return earlier contribution to the General Fund to be used for capital construction and acquisition in the current year.

Capital Reserve Fund to East Side Fire Station Construction Project Fund \$175,171
This transfer was to provide additional funds need to complete the purchase of land and an existing building to be renovated into a fire station on the City's East Side.

Downtown Tax District Fund to General Fund \$100,000
This transfer from the Downtown Tax District Fund to the General Fund was to recoup some transfers in earlier years for improvements in the Downtown Tax District.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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 \$63 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. The finance officer and the tax collector are also each individually bonded for \$75,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

The City has a fully funded medical insurance plan to pay medical claims of the City's employees and their dependents. The plan was negotiated for twelve (12) months beginning July 1, 2009, and ending June 30, 2010. 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. It was renewed into the subsequent year.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

D. LAWSUITS:

The City is currently a defendant in two lawsuits. One concerns a cost overrun in construction project. A second involves a suit for damages in a reverse condemnation. The City does not expect the outcomes to adversely affect the City's financial condition.

E. COMMITMENTS/SUBSEQUENT EVENT:

On November 8, 2010 The City Council awarded a contract for \$670,090 for construction of a raw water pipeline, involving the installation of 12,500 lineal feet of ductile iron pipe.

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)			
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%
2008	0	\$621,469	\$621,469	0	\$1,688,411	36.81%
2009	0	\$782,709	\$782,709	0	\$1,851,891	42.27%

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

Exhibit A-2

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<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2009	\$58,845	89.29%
2010	\$63,168	87.85%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	5.0%
Projected salary increases	4.5 - 12.3 %
Includes inflation at	3.75 %

CITY OF HENDERSONVILLE, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF FUNDING PROGRESS

Exhibit A-3

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)			
2005	0	\$2,956,534	\$2,956,534	0	\$6,499,084	45.49%
2007	0	\$4,559,164	\$4,559,164	0	\$7,446,974	61.22%
2009	0	\$3,641,577	\$3,641,577	0	\$8,593,288	42.38%

CITY OF HENDERSONVILLE, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Exhibit A-4

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$336,444	41.15%
2010	\$349,061	34.57%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.0%
Medical cost trend rate	10.5 % to 5.0 %
Year of ultimate trend rate	2017
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, 2010

Exhibit B-1
Page 1 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 6,472,000	\$ 6,472,000	\$ 6,631,928	\$ 159,928	\$ 6,399,272
Penalties and interest	30,000	30,000	24,856	(5,144)	32,460
Refunds	(5,000)	(5,000)	(10)	4,990	(129)
Total	\$ 6,497,000	\$ 6,497,000	\$ 6,656,774	\$ 159,774	\$ 6,431,603
Other taxes and licenses:					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,440	\$ 440	\$ 2,645
Local vehicle rental tax	5,000	5,000	6,341	1,341	8,330
Privilege licenses	65,000	65,000	149,660	84,660	77,102
Total	\$ 72,000	\$ 72,000	\$ 158,441	\$ 86,441	\$ 88,077
Unrestricted intergovernmental:					
Local option sales taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,101,938	\$ (398,062)	\$ 2,327,637
Less rebated to Henderson County					(68,810)
Payments in lieu of taxes	17,000	17,000	17,846	846	17,846
Utility franchise tax	500,000	500,000	538,665	38,665	519,399
Video programming fee	100,000	100,000	130,636	30,636	131,408
Telecommunications sales tax	200,000	200,000	353,963	153,963	366,665
Beer and wine tax	50,000	50,000	18,537	(31,463)	57,264
ABC profit distribution	80,000	80,000	110,000	30,000	110,000
Court fees	2,500	2,500	10,259	7,759	15,342
Total	\$ 3,449,500	\$ 3,449,500	\$ 3,281,844	\$ (167,656)	\$ 3,476,751
Restricted intergovernmental:					
Powell Bill allocation	\$ 330,000	\$ 330,000	\$ 353,289	\$ 23,289	\$ 394,746
Federal grant revenues			11,800	11,800	
ABC law enforcement services	40,000	40,000	40,000		40,000
On-behalf-of payments:					
Firemen's Relief			27,920	27,920	28,109
School Resource Officer	53,360	53,360	46,416	(6,944)	46,825
Total	\$ 423,360	\$ 423,360	\$ 479,425	\$ 56,065	\$ 509,680

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Permits and fees:					
Building permits and inspection fees	\$ 16,000	\$ 16,000	\$ 21,647	\$ 5,647	\$ 18,252
Total	\$ 16,000	\$ 16,000	\$ 21,647	\$ 5,647	\$ 18,252
Sales and services:					
Recreation department fees	\$ 21,500	\$ 21,500	\$ 34,162	\$ 12,662	\$ 34,740
Patton Pool revenues	71,000	71,000	120,393	49,393	110,481
Parking revenues	55,000	55,000	69,058	14,058	72,426
Alarm fees	2,500	2,500	2,700	200	2,275
Cemetery lots	10,000	10,000	15,000	5,000	17,850
Total	\$ 160,000	\$ 160,000	\$ 241,313	\$ 81,313	\$ 237,772
Investment earnings	\$ 158,000	\$ 158,000	\$ 34,487	\$ (123,513)	\$ 164,320
Miscellaneous:					
Insurance proceeds		\$ 10,140	\$ 10,140	\$ 0	\$ 26,779
Parking violations	\$ 20,000	20,000	32,149	12,149	31,939
Sales of property	600	600	11,246	10,646	53,033
Contributions		52,700	52,700	0	
Other	11,250	11,250	50,303	39,053	57,368
Total	\$ 31,850	\$ 94,690	\$ 156,538	\$ 61,848	\$ 169,119
Total revenues	\$ 10,807,710	\$ 10,870,550	\$ 11,030,469	\$ 159,919	\$ 11,095,574

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-1
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	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Expenditures:					
General government:					
Governing body:					
Salaries and employee benefits	\$ 70,400	\$ 70,400	\$ 50,462	\$ 19,938	\$ 56,768
Operating expenses	38,180	38,180	37,082	1,098	27,123
Dues and appropriations	311,700	472,209	328,805	143,404	182,945
Reimbursement-enterprise fund	(36,900)	(36,900)	(25,245)	(11,655)	(28,384)
Total	\$ 383,380	\$ 543,889	\$ 391,104	\$ 152,785	\$ 238,452
Administration:					
Salaries and employee benefits	\$ 295,170	\$ 295,170	\$ 290,932	\$ 4,238	\$ 278,659
Operating expenses	123,800	123,800	120,887	2,913	83,600
Reimbursement-enterprise fund	(153,100)	(153,100)	(143,753)	(9,347)	(143,699)
Total	\$ 265,870	\$ 265,870	\$ 268,066	\$ (2,196)	\$ 218,560
Finance:					
Salaries and employee benefits	\$ 749,600	\$ 749,600	\$ 726,424	\$ 23,176	\$ 730,991
Operating expenses	78,950	87,950	79,103	8,847	66,256
Reimbursement-enterprise fund	(481,420)	(490,420)	(539,861)	49,441	(548,180)
Total	\$ 347,130	\$ 347,130	\$ 265,666	\$ 81,464	\$ 249,067
City engineer:					
Salaries and employee benefits	\$ 366,870	\$ 366,870	\$ 284,984	\$ 81,886	\$ 342,868
Operating expenses	21,950	21,950	16,201	5,749	10,592
Reimbursement-enterprise fund	(187,790)	(187,790)	(149,969)	(37,821)	(164,741)
Total	\$ 201,030	\$ 201,030	\$ 151,216	\$ 49,814	\$ 188,719
Information technology:					
Salaries and employee benefits	\$ 100,280	\$ 100,280	\$ 99,084	\$ 1,196	\$ 95,270
Operating expenses	205,580	194,580	188,541	6,039	198,752
Capital outlay	69,000	80,000	73,060	6,940	5,938
Reimbursement-enterprise fund	(51,160)	(51,160)	(56,208)	5,048	(53,115)
Total	\$ 323,700	\$ 323,700	\$ 304,477	\$ 19,223	\$ 246,845
Legal department:					
Salaries and employee benefits	\$ 167,040	\$ 168,130	\$ 162,295	\$ 5,835	\$ 132,440
Operating expenses	31,530	30,440	23,378	7,062	20,794
Reimbursement-enterprise fund	(91,530)	(91,530)	(99,420)	7,890	(77,840)
Total	\$ 107,040	\$ 107,040	\$ 86,253	\$ 20,787	\$ 75,394

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-1
Page 4 of 6

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Fleet maintenance:					
Salaries and employee benefits	\$ 309,440	\$ 315,940	\$ 314,283	\$ 1,657	\$ 299,958
Operating expenses	132,700	143,200	124,883	18,317	118,852
Capital outlay	-	7,200	7,200	0	50,380
Reimbursement-other departments	(56,000)	(75,000)	(90,265)	15,265	(75,863)
Reimbursement-enterprise fund	(38,000)	(38,000)	(51,176)	13,176	(29,717)
Total	\$ 348,140	\$ 353,340	\$ 304,925	\$ 48,415	\$ 363,610
Public buildings:					
Salaries and employee benefits	\$ 180,170	\$ 180,170	\$ 143,189	\$ 36,981	\$ 167,767
Operating expenses	190,930	196,930	163,317	33,613	192,123
Capital outlay	30,000	18,800	18,800	0	6,298
Total	\$ 401,100	\$ 395,900	\$ 325,306	\$ 70,594	\$ 366,188
Total general government	\$ 2,377,390	\$ 2,537,899	\$ 2,097,013	\$ 440,886	\$ 1,946,835
Public safety:					
Police:					
Salaries and employee benefits	\$ 3,125,020	\$ 3,135,520	\$ 3,082,447	\$ 53,073	\$ 3,038,042
Operating expenses	497,220	509,420	471,158	38,262	508,952
Capital outlay	47,000	87,140	93,651	(6,511)	228,451
Total	\$ 3,669,240	\$ 3,732,080	\$ 3,647,256	\$ 84,824	\$ 3,775,445
Fire:					
Salaries and employee benefits	\$ 1,231,220	\$ 1,236,220	\$ 1,235,329	\$ 891	\$ 1,187,206
Operating expenses	138,530	141,730	116,705	25,025	102,997
On-behalf payments:					
Firemen's Relief fund			27,920	(27,920)	28,109
Contract coverage-Vol. departments	333,050	326,350	326,327	23	334,738
Total	\$ 1,702,800	\$ 1,704,300	\$ 1,706,281	\$ (1,981)	\$ 1,653,050
Zoning:					
Salaries and employee benefits	\$ 120,020	\$ 120,020	\$ 119,126	\$ 894	\$ 116,145
Operating expenses	49,550	49,550	41,587	7,963	41,109
Total	\$ 169,570	\$ 169,570	\$ 160,713	\$ 8,857	\$ 157,254
Planning:					
Salaries and employee benefits	\$ 192,430	\$ 192,430	\$ 189,908	\$ 2,522	\$ 166,518
Operating expenses	48,300	48,300	24,026	24,274	126,784
Total	\$ 240,730	\$ 240,730	\$ 213,934	\$ 26,796	\$ 293,302
Total public safety	\$ 5,782,340	\$ 5,846,680	\$ 5,728,184	\$ 118,496	\$ 5,879,051

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-1
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	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Transportation:					
Administration:					
Salaries and employee benefits	\$ 252,210	\$ 252,210	\$ 238,619	\$ 13,591	\$ 232,747
Operating expenses	76,900	76,900	70,780	6,120	66,880
Total	\$ 329,110	\$ 329,110	\$ 309,399	\$ 19,711	\$ 299,627
Streets and highways:					
Salaries and employee benefits	\$ 371,160	\$ 361,160	\$ 320,239	\$ 40,921	\$ 321,123
Operating expenses	208,850	218,150	208,610	9,540	211,724
Capital outlay		119,200	43,460	75,740	174,366
Reimbursement-enterprise fund	(50,000)	(93,500)	(127,713)	34,213	(109,112)
Total	\$ 530,010	\$ 605,010	\$ 444,596	\$ 160,414	\$ 598,101
State Street Aid allocation:					
Operating expenses	\$ 415,700	\$ 415,700	\$ 89,109	\$ 326,591	\$ 327,389
Capital outlay	379,000	379,000	370,000	9,000	
Total	\$ 794,700	\$ 794,700	\$ 459,109	\$ 335,591	\$ 327,389
Traffic engineering:					
Salaries and employee benefits	\$ 139,950	\$ 141,950	\$ 126,548	\$ 15,402	\$ 126,848
Operating expenses	222,930	220,930	228,202	(7,272)	218,801
Total	\$ 362,880	\$ 362,880	\$ 354,750	\$ 8,130	\$ 345,649
Total transportation	\$ 2,016,700	\$ 2,091,700	\$ 1,567,854	\$ 523,846	\$ 1,570,766
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	\$ 411,190	\$ 415,620	\$ 411,726	\$ 3,894	\$ 389,082
Operating expenses	47,800	49,170	46,672	2,498	79,247
Capital outlay	101,000	170,200	68,830	101,370	46,940
Total park maintenance, drainage, and lot clearing	\$ 559,990	\$ 634,990	\$ 527,228	\$ 107,762	\$ 515,269
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	\$ 119,770	\$ 119,770	\$ 104,848	\$ 14,922	\$ 118,396
Operating expenses	88,400	88,400	80,828	7,572	78,936
Capital outlay				0	126,609
Total cultural and recreational	\$ 208,170	\$ 208,170	\$ 185,676	\$ 22,494	\$ 323,941

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-1
Page 6 of 6

	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Debt service:					
Principal	\$ 373,350	\$ 373,350	\$ 373,333	\$ 17	\$ 323,333
Interest and fees	269,480	269,480	232,928	36,552	207,856
Total debt service	\$ 642,830	\$ 642,830	\$ 606,261	\$ 36,569	\$ 531,189
Total expenditures	\$ 11,587,420	\$ 11,962,269	\$ 10,712,216	\$ 1,250,053	\$ 10,767,051
Revenues over (under) expenditures	\$ (779,710)	\$ (1,091,719)	\$ 318,253	\$ 1,409,972	\$ 328,523
Other financing sources / (uses)					
Transfers from (to) other funds:					
Enterprise funds:					
Solid Waste Fund	\$ (387,600)	\$ (387,600)	\$ (387,600)		\$ (292,057)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(100,880)
Capital Reserve Fund	361,070	870,899	870,899		552,760
Capital Reserve Fund		(509,829)	(509,829)		
Downtown Tax District Fund	100,000	100,000	100,000		(110,677)
Downtown Tax District Fund					75,000
Seventh Avenue Tax District Fund	(52,800)	(59,300)	(52,800)	6,500	(64,500)
Fire Station Construction Cap Proj Fund		(509,828)	(509,828)		
SkatePark Capital Project Fund					(114,297)
Wash Creek Erosion Project Fund					(45,084)
Contingencies budgeted	(150,000)	(150,000)		150,000	
Fund balance appropriated	1,009,920	1,838,257		(1,838,257)	
Total other financing sources (uses)	\$ 779,710	\$ 1,091,719	\$ (590,038)	\$ (1,681,757)	\$ (99,735)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (271,785)	\$ (271,785)	\$ 228,788
Fund balances:					
Beginning of year, July 1			8,152,898		7,924,110
End of year, June 30			\$ 7,881,113		\$ 8,152,898

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	SPECIAL	REVENUE	FUNDS	
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Justice Assistance Grant P I C S I P Program Grant Fund	Oakdale Cemetery Road Widening Grant Fund
ASSETS				
Cash and cash equivalents	\$ 68,380	\$ 14,700	\$ 986	
Restricted cash and cash equivalents				
Taxes receivable (net)	8,172	1,142		
Sales tax refundable	814	824	604	
Grants receivable				\$ 123
Accounts receivable	215	23		
Total Assets	\$ 77,581	\$ 16,689	\$ 1,590	\$ 123
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,253	\$ 171	\$ 120	
Due to other funds				\$ 123
Deferred revenues	8,172	1,142	1,470	
Total Liabilities	\$ 9,425	\$ 1,313	\$ 1,590	\$ 123
Fund balances:				
Reserved by State statute	\$ 1,029	\$ 847	\$ 604	
Unreserved:				
Designated for subsequent year's expenditures	23,350			
Undesignated	43,777	14,529	(604)	
Total Fund balances	\$ 68,156	\$ 15,376	\$ 0	\$ 0
Total Liabilities and Fund balances	\$ 77,581	\$ 16,689	\$ 1,590	\$ 123

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Exhibit C-1

SPECIAL REVENUE FUNDS	CAPITAL	PROJECT	FUNDS	
Total	Sidewalk Construction Project Fund	East Side Fire Station Construction Project Fund	Total	Total Nonmajor Governmental Funds
			e	
\$ 84,066	\$ 1,761,811	\$ 5,156	\$ 5,156	\$ 89,222
9,314			1,761,811	1,761,811
2,242	306		306	9,314
123				2,548
238				123
<u>\$ 95,983</u>	<u>\$ 1,762,117</u>	<u>\$ 5,156</u>	<u>\$ 1,767,273</u>	<u>\$ 1,863,256</u>
\$ 1,544				\$ 1,544
123				123
<u>10,784</u>				<u>10,784</u>
<u>\$ 12,451</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,451</u>
\$ 2,480	\$ 306		\$ 306	\$ 2,786
23,350				23,350
<u>57,702</u>	<u>1,761,811</u>	<u>5,156</u>	<u>1,766,967</u>	<u>1,824,669</u>
<u>\$ 83,532</u>	<u>\$ 1,762,117</u>	<u>\$ 5,156</u>	<u>\$ 1,767,273</u>	<u>\$ 1,850,805</u>
<u>\$ 95,983</u>	<u>\$ 1,762,117</u>	<u>\$ 5,156</u>	<u>\$ 1,767,273</u>	<u>\$ 1,863,256</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, 2010

	SPECIAL REVENUE FUNDS				
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Governor's Highway Safety Program Grant Fund	Justice Assistance Grant - Local Solicitation Program Grant Fund	Justice Assistance Grant P I C S I P Program Grant Fund
Revenues:					
Ad valorem taxes	\$ 242,447	\$ 10,318			
Restricted intergovernmental			\$ 1,570	\$ 61,478	\$ 1,340
Unrestricted intergovernmental	100,600	2,500			
Investment earnings	330	1			
Total Revenues	<u>\$ 343,377</u>	<u>\$ 12,819</u>	<u>\$ 1,570</u>	<u>\$ 61,478</u>	<u>\$ 1,340</u>
Expenditures:					
Public safety			\$ 1,570	\$ 61,478	\$ 1,340
Recreation					
Transportation					
Economic and physical development	\$ 401,033	\$ 52,505			
Total Expenditures	<u>\$ 401,033</u>	<u>\$ 52,505</u>	<u>\$ 1,570</u>	<u>\$ 61,478</u>	<u>\$ 1,340</u>
Revenues over (under) expenditures	<u>\$ (57,656)</u>	<u>\$ (39,686)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other financing sources / (uses):					
Transfer in - Capital Reserve Fund					
Transfer in - General Fund		\$ 52,800			
Transfer out - General Fund	\$ (100,000)				
Total other financing sources / (uses)	<u>\$ (100,000)</u>	<u>\$ 52,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Revenues and other financing sources over / (under) expenditures and other (uses):	<u>\$ (157,656)</u>	<u>\$ 13,114</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund balances:					
Beginning of year, July 1	<u>225,812</u>	<u>2,262</u>			
End of year, June 30	<u>\$ 68,156</u>	<u>\$ 15,376</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-2

SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS		FUNDS		
Oakdale Cemetery Road Widening Grant Fund	Oklawaha Greenways Phase II Grant Fund	Total	Sidewalk Construction Project Fund	East Side Fire Station Construction Project Fund	Total	Total Nonmajor Governmental Funds
		\$ 252,765				\$ 252,765
\$ 169,621	\$ 400,000	634,009				634,009
		103,100				103,100
		331	\$ 3,796		\$ 3,796	4,127
<u>\$ 169,621</u>	<u>\$ 400,000</u>	<u>\$ 990,205</u>	<u>\$ 3,796</u>	<u>\$ 0</u>	<u>\$ 3,796</u>	<u>\$ 994,001</u>
		\$ 64,388		\$ 679,844	\$ 679,844	\$ 744,232
\$ 169,621	\$ 402,629	402,629	\$ 263,786		263,786	402,629
		169,621				433,407
		453,538				453,538
<u>\$ 169,621</u>	<u>\$ 402,629</u>	<u>\$ 1,090,176</u>	<u>\$ 263,786</u>	<u>\$ 679,844</u>	<u>\$ 943,630</u>	<u>\$ 2,033,806</u>
<u>\$ 0</u>	<u>\$ (2,629)</u>	<u>\$ (99,971)</u>	<u>\$ (259,990)</u>	<u>\$ (679,844)</u>	<u>\$ (939,834)</u>	<u>\$ (1,039,805)</u>
		\$ 52,800		\$ 175,171	\$ 175,171	\$ 175,171
		(100,000)		509,829	509,829	562,629
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,200)</u>	<u>\$ 0</u>	<u>\$ 685,000</u>	<u>685,000</u>	<u>637,800</u>
\$ 0	\$ (2,629)	\$ (147,171)	\$ (259,990)	\$ 5,156	\$ (254,834)	\$ (402,005)
	2,629	230,703	2,022,107		2,022,107	2,252,810
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,532</u>	<u>\$ 1,762,117</u>	<u>\$ 5,156</u>	<u>\$ 1,767,273</u>	<u>\$ 1,850,805</u>

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
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-3

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 226,200	\$ 226,200	\$ 240,467	\$ 14,267	\$ 233,579
Penalties and interest	100	100	1,980	1,880	584
Refunds	(100)	(100)		100	
Total	\$ 226,200	\$ 226,200	\$ 242,447	\$ 16,247	\$ 234,163
Sales and use taxes	\$ 100,600	\$ 100,600	\$ 100,600		\$ 100,620
Investment earnings	400	400	330	\$ (70)	5,247
Total revenues	\$ 327,200	\$ 327,200	\$ 343,377	\$ 16,177	\$ 340,030
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 254,500	\$ 428,660	\$ 401,033	\$ 27,627	\$ 274,867
Capital outlay				0	26,635
Total expenditures	\$ 254,500	\$ 428,660	\$ 401,033	\$ 27,627	\$ 301,502
Revenues over (under) expenditures	\$ 72,700	\$ (101,460)	\$ (57,656)	\$ (11,450)	\$ 38,528
Other financing sources / (uses)					
Transfer from General Fund					\$ 110,677
Transfer (to) General Fund	\$ (100,000)	\$ (100,000)	\$ (100,000)		(75,000)
Fund balance appropriated	27,300	201,460		\$ (201,460)	
Total other financing sources	\$ (72,700)	\$ 101,460	\$ (100,000)	\$ (201,460)	\$ 35,677
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ (157,656)	\$ (212,910)	\$ 74,205
Fund balances:					
Beginning of year, July 1			225,812		151,607
End of year, June 30			<u>\$ 68,156</u>		<u>\$ 225,812</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, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-4

	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 8,050	\$ 8,050	\$ 9,980	\$ 1,930	\$ 8,703
Penalties and interest	50	50	338	288	91
Total	\$ 8,100	\$ 8,100	\$ 10,318	\$ 2,218	\$ 8,794
Sales and use taxes	\$ 2,500	\$ 2,500	\$ 2,500		\$ 2,580
Investment earnings	100	100	1	(99)	218
Total revenues	\$ 10,700	\$ 10,700	\$ 12,819	\$ 2,119	\$ 11,592
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 63,500	\$ 70,000	\$ 52,505	\$ 17,495	\$ 67,606
Capital outlay					21,640
Total expenditures	\$ 63,500	\$ 70,000	\$ 52,505	\$ 17,495	\$ 89,246
Revenues over (under) expenditures	\$ (52,800)	\$ (59,300)	\$ (39,686)	\$ 19,614	\$ (77,654)
Other financing sources					
Transfer from General Fund	\$ 52,800	\$ 59,300	\$ 52,800	(6,500)	\$ 64,500
Total other financing sources	\$ 52,800	\$ 59,300	\$ 52,800	\$ (6,500)	\$ 64,500
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 13,114	\$ 13,114	\$ (13,154)
Fund balances:					
Beginning of year, July 1			2,262		15,416
End of year, June 30			<u>\$ 15,376</u>		<u>\$ 2,262</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
GOVERNOR'S HIGHWAY SAFETY PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-5

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 42,430	\$ 40,672	\$ 1,570	\$ 42,242	\$ (188)
Total revenues	\$ 42,430	\$ 40,672	\$ 1,570	\$ 42,242	\$ (188)
Expenditures :					
Public safety					
Operating expenditures	\$ 42,430	\$ 40,672	\$ 1,570	\$ 42,242	\$ 188
Total expenditures	\$ 42,430	\$ 40,672	\$ 1,570	\$ 42,242	\$ 188
sources over expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
JUSTICE ASSISTANCE GRANT - LOCAL SOLICITATION PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-6

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 61,478		\$ 61,478	\$ 61,478	\$ 0
Total revenues	\$ 61,478	\$ 0	\$ 61,478	\$ 61,478	\$ 0
Expenditures :					
Public safety					
Police department					
Grant expense	\$ 61,478		\$ 61,478	\$ 61,478	\$ 0
Total expenditures	\$ 61,478	\$ 0	\$ 61,478	\$ 61,478	\$ 0
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
JUSTICE ASSISTANCE GRANT
POLICE INCIDENT & CRIME SCENE INVESTIGATION PROGRAM (PICSIP)
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-7

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 14,941		\$ 13,470	\$ 13,470	\$ (1,471)
Total revenues	\$ 14,941	\$ 0	\$ 13,470	\$ 13,470	\$ (1,471)
Expenditures :					
Public safety					
Police department					
Grant expense	\$ 14,941		\$ 13,470	\$ 13,470	\$ 1,471
Total expenditures	\$ 14,941	\$ 0	\$ 13,470	\$ 13,470	\$ 1,471
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

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CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
OAKDALE CEMETERY ROAD WIDENING PROJECT GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-8

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues: •					
Federal grant	\$ 363,000		\$ 169,621	\$ 169,621	\$ (193,379)
Total revenues	\$ 363,000	\$ 0	\$ 169,621	\$ 169,621	\$ (193,379)
Expenditures :					
Transportation					
Operating expenditures	\$ 363,000		\$ 169,621	\$ 169,621	\$ 193,379
Total expenditures	\$ 363,000	\$ 0	\$ 169,621	\$ 169,621	\$ 193,379
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

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, 2010

Exhibit C-9

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 400,000		\$ 400,000	\$ 400,000	\$ 0
Total revenues	\$ 400,000	\$ 0	\$ 400,000	\$ 400,000	\$ 0
Expenditures :					
Recreation:					
Capital outlay- Bicycle / pedestrian path	\$ 602,000	\$ 199,371	\$ 402,629	\$ 602,000	\$ 0
Total expenditures	\$ 602,000	\$ 199,371	\$ 402,629	\$ 602,000	\$ 0
Revenues over (under) expenditures	\$ (202,000)	\$ (199,371)	\$ (2,629)	\$ (202,000)	\$ 0
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 202,000	\$ 202,000		\$ 202,000	
Total other financing sources	\$ 202,000	\$ 202,000	\$ 0	\$ 202,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 2,629	\$ (2,629)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			2,629		
End of year, June 30			\$ 0		

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, 2010

Exhibit C-10

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Revenues:					
Investment earnings	\$ 10,000	\$ 10,000	\$ 4,454	\$ (5,546)	\$ 64,410
Total revenues	\$ 10,000	\$ 10,000	\$ 4,454	\$ (5,546)	\$ 64,410
Expenditures:					
General government:					
Investment fees	\$ 0	\$ 0	\$ 6,204	\$ (6,204)	0
Total expenditures	\$ 0	\$ 0	\$ 6,204	\$ (6,204)	\$ 0
Revenues over (under) expenditures	\$ 10,000	\$ 10,000	\$ (1,750)	\$ (11,750)	\$ 64,410
Other financing sources (uses):					
Transfer from General Fund		\$ 509,829	\$ 509,829		
Transfer (to) General Fund	\$ (361,070)	(870,899)	(870,899)		\$ (552,760)
Transfer (to) Fire Station Cap Proj Fund		(175,171)	(175,171)		
Appropriated fund balance	351,070	526,241		\$ (526,241)	
Total other financing sources (uses)	\$ (10,000)	\$ (10,000)	\$ (536,241)	\$ (526,241)	\$ (552,760)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (537,991)	\$ (537,991)	\$ (488,350)
Fund balance:					
Beginning of year, July 1			1,684,112		2,172,462
End of year, June 30			\$ 1,146,121		\$ 1,684,112

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, 2010

Exhibit D-1

	Actual			Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year	
Revenues:				
State grant	\$ 105,000	\$ 105,000		\$ 105,000
Local contributions	\$ 52,260	52,260		52,260
Investment earnings	147,740	24,854	\$ 3,796	28,650
				\$ (119,090)
Total revenues	<u>\$ 305,000</u>	<u>\$ 182,114</u>	<u>\$ 3,796</u>	<u>\$ 185,910</u>
				\$ (119,090)
Expenditures :				
Transportation:				
Capital outlay- sidewalk construction	\$ 2,405,000	\$ 260,007	\$ 263,786	\$ 523,793
				\$ 1,881,207
Total expenditures	<u>\$ 2,405,000</u>	<u>\$ 260,007</u>	<u>\$ 263,786</u>	<u>\$ 523,793</u>
				\$ 1,881,207
Revenues over (under) expenditures	<u>\$ (2,100,000)</u>	<u>\$ (77,893)</u>	<u>\$ (259,990)</u>	<u>\$ (337,883)</u>
				\$ 1,762,117
Other financing sources :				
General obligation bonds issued	\$ 2,100,000	\$ 2,100,000		\$ 2,100,000
Total other financing sources	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>	<u>\$ 0</u>	<u>\$ 2,100,000</u>
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 2,022,107</u>	<u>\$ (259,990)</u>	<u>\$ 1,762,117</u>
				\$ 1,762,117
Fund balance:				
Beginning of year, July 1			<u>2,022,107</u>	
End of year, June 30			<u>\$ 1,762,117</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 EAST SIDE FIRE STATION CONSTRUCTION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D-2

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures :					
Public safety					
Fire Department					
Capital outlay-					
East Side Fire Station Constructio	\$ 685,000	\$	\$ 679,844	\$ 679,844	\$ 5,156
Total expenditures	\$ 685,000	\$ 0	\$ 679,844	\$ 679,844	\$ 5,156
Revenues over (under) expenditures	\$ (685,000)	\$ 0	\$ (679,844)	\$ (679,844)	\$ 5,156
Other financing sources :					
Transfer-Capital Reserve Fund	\$ 175,171		\$ 175,171	\$ 175,171	
Transfer-General Fund	509,829	\$	509,829	509,829	
Total other financing sources	\$ 685,000	\$ 0	685,000	\$ 685,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 5,156	\$ 5,156	\$ 5,156
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 5,156		

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit E-1

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Residential	\$ 535,000	\$ 535,000	\$ 535,353	\$ 353	\$ 534,490
Commercial	125,000	125,500	129,621	4,121	134,167
Recycling revenues	5,000			0	5,934
Total operating revenues	<u>\$ 665,000</u>	<u>\$ 660,500</u>	<u>\$ 664,974</u>	<u>\$ 4,474</u>	<u>\$ 674,591</u>
Non-operating revenues:					
Investment earnings	\$ 100	\$ 100	\$ 13	\$ (87)	\$ 111
State Solid Waste Tax		5,000	8,857	3,857	
Insurance proceeds	500				
Transfer from General Fund	387,600	387,600	387,600	0	292,057
Total non-operating revenues	<u>\$ 388,200</u>	<u>\$ 392,700</u>	<u>\$ 396,470</u>	<u>\$ 3,770</u>	<u>\$ 292,168</u>
Total revenues	<u>\$ 1,053,200</u>	<u>\$ 1,053,200</u>	<u>\$ 1,061,444</u>	<u>\$ 8,244</u>	<u>\$ 966,759</u>
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	\$ 443,770	\$ 443,770	\$ 426,651	\$ 17,119	\$ 425,765
Landfill tipping fees	270,000	270,000	213,127	56,873	214,429
Other departmental expenses	158,870	158,870	123,639	35,231	110,580
Contracted services	215,000	215,000	207,714	7,286	198,669
Capital outlay	190,000	190,000		190,000	
Total	<u>\$ 1,277,640</u>	<u>\$ 1,277,640</u>	<u>\$ 971,131</u>	<u>\$ 306,509</u>	<u>\$ 949,443</u>
Debt service:					
Principal	\$	\$	\$	\$ 0	\$ 22,077
Interest					540
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,617</u>
Total expenditures	<u>\$ 1,277,640</u>	<u>\$ 1,277,640</u>	<u>\$ 971,131</u>	<u>\$ 306,509</u>	<u>\$ 972,060</u>
Revenues over / (under expenditures)	<u>\$ (224,440)</u>	<u>\$ (224,440)</u>	<u>\$ 90,313</u>	<u>\$ 314,753</u>	<u>\$ (5,301)</u>
Other financing sources:					
Fund balance appropriated	\$ 224,440	\$ 224,440		\$ (224,440)	
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,313</u>	<u>\$ 90,313</u>	<u>\$ (5,301)</u>
Reconciliation of modified accrual basis to full accrual basis:					
Payment of debt principal					22,077
Increase in accrued revenues			11,806		3,378
Decrease / (increase) in allowance for uncollectible accounts			10,176		(6,781)
Depreciation			(25,738)		(31,278)
Book value of disposed equipment					(31,370)
Decrease in compensated absences			938		396
(Increase) in other postemployment benefits			(15,107)		(4,418)
Change in net assets			<u>\$ 72,388</u>		<u>\$ (53,296)</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit E-2
Page 1 of 3

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	\$ 7,709,000	\$ 7,709,000	\$ 8,212,609	\$ 503,609	\$ 7,649,082
Sewer charges	4,101,000	4,101,000	4,010,355	(90,645)	3,878,342
Water and sewer taps	171,000	171,000	136,199	(34,801)	151,124
Other operating revenues:					
System development charges	63,800	63,800	279,869	216,069	332,389
Other	305,000	305,000	118,380	(186,620)	110,882
Total operating revenues	\$ 12,349,800	\$ 12,349,800	\$ 12,757,412	\$ 407,612	\$ 12,121,819
Non-operating revenues:					
Investment earnings	\$ 203,000	\$ 203,000	\$ 31,163	\$ (171,837)	\$ 451,425
Transfer from General Fund	100,880	100,880	100,880		100,880
Sale of fixed assets					
Other non-operating revenues	5,500	5,500	9,884	4,384	29,639
Total non-operating revenues	\$ 309,380	\$ 309,380	\$ 141,927	\$ (167,453)	\$ 581,944
Total revenues	\$ 12,659,180	\$ 12,659,180	\$ 12,899,339	\$ 240,159	\$ 12,703,763
Expenditures:					
Administration:					
Salaries and employee benefits	\$ 212,720	\$ 236,984	\$ 216,914	\$ 20,070	\$ 208,131
Contracted services	95,100	90,772	53,332	37,440	75,438
Engineering department expense	187,790	187,790	149,969	37,821	164,741
Supplies	11,150	11,150	7,343	3,807	7,827
Other departmental expenses	357,600	337,664	309,933	27,731	289,939
Total	\$ 864,360	\$ 864,360	\$ 737,491	\$ 126,869	\$ 746,076
Business operations:					
Salaries and employee benefits	\$ 481,420	\$ 481,420	\$ 539,862	\$ (58,442)	\$ 548,180
Supplies	112,000	112,000	65,162	46,838	73,167
Other departmental expenses	322,360	322,360	308,433	13,927	289,221
Total	\$ 915,780	\$ 915,780	\$ 913,457	\$ 2,323	\$ 910,568
Operations and maintenance:					
Salaries and employee benefits	\$ 372,120	\$ 417,426	\$ 381,856	\$ 35,570	\$ 357,708
Utilities	225,000	225,000	207,932	17,068	194,269
Supplies	26,500	29,265	28,944	321	24,099
Other departmental expenses	143,500	138,041	133,241	4,800	149,145
Total	\$ 767,120	\$ 809,732	\$ 751,973	\$ 57,759	\$ 725,221

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit E-2
Page 2 of 3

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
⊙					
Water treatment plant:					
Salaries and employee benefits	\$ 576,510	\$ 591,221	\$ 553,972	\$ 37,249	\$ 554,406
Contracted services	279,000	260,780	236,602	24,178	470,450
Utilities	250,000	356,495	343,789	12,706	255,495
Chemicals	290,000	390,607	412,161	(21,554)	340,165
Supplies	57,350	58,708	60,584	(1,876)	56,097
Other departmental expenses	85,000	102,120	96,569	5,551	81,625
Total	<u>\$ 1,537,860</u>	<u>\$ 1,759,931</u>	<u>\$ 1,703,677</u>	<u>\$ 56,254</u>	<u>\$ 1,758,238</u>
Field operations:					
Salaries and employee benefits	\$ 692,710	\$ 705,557	\$ 656,253	\$ 49,304	\$ 665,417
Supplies	49,500	44,149	44,955	(806)	41,601
Other departmental expenses	92,700	75,204	58,955	16,249	67,657
Total	<u>\$ 834,910</u>	<u>\$ 824,910</u>	<u>\$ 760,163</u>	<u>\$ 64,747</u>	<u>\$ 774,675</u>
Water line maintenance:					
Salaries and employee benefits	\$ 688,730	\$ 724,431	\$ 664,369	\$ 60,062	\$ 665,438
Contracted services	40,000	40,000	7,841	32,159	11,946
Issues from inventory	300,000	305,731	119,936	185,795	679,738
Supplies	99,500	99,500	84,403	15,097	96,866
Other departmental expenses	171,150	150,633	132,073	18,560	181,422
Total	<u>\$ 1,299,380</u>	<u>\$ 1,320,295</u>	<u>\$ 1,008,622</u>	<u>\$ 311,673</u>	<u>\$ 1,635,410</u>
⊙					
Waste treatment plant:					
Salaries and employee benefits	\$ 563,120	\$ 572,748	\$ 528,871	\$ 43,877	\$ 527,383
Contracted services	22,000	24,990	29,924	(4,934)	24,126
Sludge management	360,000	331,500	247,163	84,337	242,273
Utilities	225,000	242,492	238,176	4,316	194,255
Supplies	47,400	55,192	50,339	4,853	41,053
Other departmental expenses	132,100	123,698	116,481	7,217	101,499
Total	<u>\$ 1,349,620</u>	<u>\$ 1,350,620</u>	<u>\$ 1,210,954</u>	<u>\$ 139,666</u>	<u>\$ 1,130,589</u>
Sewer line maintenance:					
Salaries and employee benefits	\$ 490,690	\$ 490,690	\$ 421,316	\$ 69,374	\$ 471,595
Contracted services	514,500	324,500	115,555	208,945	124,079
Issues from inventory	30,000	46,347	38,387	7,960	21,321
Supplies	80,500	72,589	56,261	16,328	74,124
Other departmental expenses	53,500	64,064	67,137	(3,073)	62,166
Total	<u>\$ 1,169,190</u>	<u>\$ 998,190</u>	<u>\$ 698,656</u>	<u>\$ 299,534</u>	<u>\$ 753,285</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit E-2
Page 3 of 3

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2009 Actual
	Original	Final			
Budgetary appropriations:					
Interest	\$ 658,900	\$ 658,900	\$ 689,982	\$ (31,082)	\$ 731,689
Debt principal	1,913,530	1,913,530	1,913,510	20	1,884,975
Capital outlay:					
Equipment	356,300	323,688	107,270	216,418	850,708
Water lines	1,309,000	1,821,036	385,885	1,435,151	4,059,401
Sewer lines	140,000	430,365	11,000	419,365	82,953
Total	<u>\$ 4,377,730</u>	<u>\$ 5,147,519</u>	<u>\$ 3,107,647</u>	<u>\$ 2,039,872</u>	<u>\$ 7,609,726</u>
Total expenditures	<u>\$ 13,115,950</u>	<u>\$ 13,991,337</u>	<u>\$ 10,892,640</u>	<u>\$ 3,098,697</u>	<u>\$ 16,043,788</u>
Revenues over (under) expenditures	<u>\$ (456,770)</u>	<u>\$ (1,332,157)</u>	<u>\$ 2,006,699</u>	<u>\$ 3,338,856</u>	<u>\$ (3,340,025)</u>
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Transfers to Capital Projects Funds	(3,610,000)	(3,610,000)	\$ (2,707,500)	902,500	\$ (4,322,062)
Fund balance appropriated	4,266,770	5,142,157		(5,142,157)	
Total other financing sources (uses)	<u>\$ 456,770</u>	<u>\$ 1,332,157</u>	<u>\$ (2,707,500)</u>	<u>\$ (4,039,657)</u>	<u>\$ (4,322,062)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (700,801)</u>	<u>\$ (700,801)</u>	<u>\$ (7,662,087)</u>
Reconciliation of modified accrual basis to full accrual basis:					
Increase / (decrease) in accrued revenues			121,589		(73,161)
Decrease / (increase) in allowance for doubtful accounts			13,729		(8,323)
Interest earned in capital projects funds					35,700
Capital grant in capital project fund			216,558		292,577
Payment of debt principal			1,913,510		1,884,975
Capital outlay			504,155		4,993,062
Book value of disposed equipment					(8,630)
Transfers to capital projects funds			2,707,500		4,322,062
Decrease in bond and note interest accrued			15,314		14,080
Amortization of defeasance loss			(14,292)		(14,272)
Depreciation			(1,774,318)		(1,955,632)
Decrease / (increase) in compensated absences			8,390		(24,221)
(Increase) in other postemployment benefits liability			(38,319)		(88,592)
Change in net assets			<u>\$ 2,973,015</u>		<u>\$ 1,707,538</u>

WATER AND SEWER CAPITAL PROJECT FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
BRIGHTWATER HEIGHTS WATER SYSTEM PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit E-3

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant - EPA / S T A G funds	\$ 547,250	\$ 292,577	\$ 1,571	\$ 294,148	\$ (253,102)
State grant - High Unit Cost grant	247,817	292,960	0	292,960	45,143
Total revenues	\$ 795,067	\$ 585,537	\$ 1,571	\$ 587,108	\$ (207,959)
Expenditures -					
Waterline construction:					
Engineering	\$ 117,405	\$ 159,885	\$ 3,047	\$ 162,932	\$ (45,527)
Customer portion	180,000				180,000
Construction	821,857	830,097	175,717	1,005,814	(183,957)
Contingencies	97,800				97,800
Total expenditures	\$ 1,217,062	\$ 989,982	\$ 178,764	\$ 1,168,746	\$ 48,316
Revenues over (under) expenditures	\$ (421,995)	\$ (404,445)	\$ (177,193)	\$ (581,638)	\$ (159,643)
Other financing sources:					
Proceeds of borrowing					
State Revolving Loan Fund	\$ 199,933		\$ 492,148	\$ 492,148	\$ 292,215
Transfer - Water & Sewer Fund	222,062	222,062		222,062	0
Total other financing sources	\$ 421,995	\$ 222,062	\$ 492,148	\$ 714,210	\$ 292,215
Revenues and other financing sources over (under) expenditures	\$ 0	\$ (182,383)	\$ 314,955	\$ 132,572	\$ 132,572

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, 2010

Exhibit E-4

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	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 190,000	\$ 233,927		\$ 233,927	\$ 43,927
Total revenues	\$ 190,000	\$ 233,927	\$ 0	\$ 233,927	\$ 43,927
Expenditures -					
Waterline construction:					
Engineering	\$ 1,225,000	\$ 734,587	\$ 416,762	\$ 1,151,349	\$ 73,651
Construction	17,296,300	13,010,546	4,600,930	17,611,476	(315,176)
Contingencies	1,378,700				1,378,700
Total expenditures	\$ 19,900,000	\$ 13,745,133	\$ 5,017,692	\$ 18,762,825	\$ 1,137,175
Revenues over (under) expenditures	\$ (19,710,000)	\$ (13,511,206)	\$ (5,017,692)	\$ (18,528,898)	\$ 1,181,102
Other financing sources:					
Proceeds of borrowing	\$ 10,000,000	\$ 10,000,000		\$ 10,000,000	
Transfer - Water & Sewer Fund	9,710,000	6,100,000	\$ 2,707,500	8,807,500	\$ (902,500)
Total other financing sources	\$ 19,710,000	\$ 16,100,000	\$ 2,707,500	\$ 18,807,500	\$ (902,500)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 2,588,794	\$ (2,310,192)	\$ 278,602	\$ 278,602

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, 2010

Exhibit E-5

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State grant - NCRCDG	\$ 500,000		\$ 214,986	\$ 214,986	\$ (285,014)
Total revenues	\$ 500,000	\$ 0	\$ 214,986	\$ 214,986	\$ (285,014)
Expenditures -					
Waterline construction:					
Engineering	\$ 264,800	\$ 174,787	\$ 30,351	\$ 205,138	\$ 59,662
Land and R-O-W purchases	93,300		9,848	9,848	83,452
Construction	1,214,720				1,214,720
Contingencies	97,299				97,299
Total expenditures	\$ 1,670,119	\$ 174,787	\$ 40,199	\$ 214,986	\$ 1,455,133
Revenues over (under) expenditures	\$ (1,170,119)	\$ (174,787)	\$ 174,787	\$ 0	\$ 1,170,119
Other financing sources:					
Transfer - Water & Sewer Fund	\$ 1,170,119				\$ (1,170,119)
Total other financing sources	\$ 1,170,119	\$ 0	\$ 0	\$ 0	\$ (1,170,119)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ (174,787)	\$ 174,787	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2010 AND JUNE 30, 2009

Exhibit F-1

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Governmental Capital Assets:		
Land	\$ 2,823,784	\$ 2,143,940
Buildings	7,952,460	7,952,460
Improvements other than buildings	3,838,649	3,367,245
Machinery, vehicles and equipment	4,905,711	4,863,106
Infrastructure	11,576,712	10,899,467
	<hr/>	<hr/>
Totals	<u>\$ 31,097,316</u>	<u>\$ 29,226,218</u>
Investment in Governmental Capital Assets by source:		
General Fund	\$ 27,055,652	\$ 19,709,736
Special Revenue Funds	2,481,435	2,078,861
Capital Projects Funds	943,629	6,821,021
Donations	616,600	616,600
	<hr/>	<hr/>
Totals	<u>\$ 31,097,316</u>	<u>\$ 29,226,218</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2010

Exhibit F-2

Function and Activity	Land	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		\$ 5,457		1,287,504
City engineer				51,894		51,894
Information technology				129,168		129,168
Central services		294,385	\$ 50,380	77,390		422,155
Public buildings				123,418		123,418
Total general government	\$ 64,282	\$ 2,779,227	\$ 50,380	\$ 387,327	\$ 0	\$ 3,281,216
Public safety:						
Police		\$ 2,136,747		\$ 1,508,603		\$ 3,645,350
Fire	\$ 679,844	1,295,871		1,748,691		3,724,406
Zoning				37,195		37,195
Total public safety	\$ 679,844	\$ 3,432,618	\$ 0	\$ 3,294,489	\$ 0	\$ 7,406,951
Transportation:						
Administration	\$ 62,392	\$ 1,109,500	\$ 127,102	\$ 55,316		\$ 1,354,310
Streets and highways	764,257	83,783	594,315	847,765	\$ 11,576,712	13,866,832
Traffic engineering				76,355		76,355
Total transportation	\$ 826,649	\$ 1,193,283	\$ 721,417	\$ 979,436	\$ 11,576,712	\$ 15,297,497
Park maintenance, drainage and lot clearing	\$ 1,253,009	\$ 547,332	\$ 3,066,852	\$ 244,459	\$ 0	5,111,652
Totals	\$ 2,823,784	\$ 7,952,460	\$ 3,838,649	\$ 4,905,711	\$ 11,576,712	\$ 31,097,316

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, 2010

Exhibit F-3

Function and Activity	Governmental Funds Capital Assets July 1, 2009	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2010
General government:					
Administration	\$ 1,267,077				\$ 1,267,077
Finance	1,287,504				1,287,504
City engineer	51,894				51,894
Information technology	63,108	\$ 73,060		\$ (7,000)	129,168
Central services	453,693	7,200	\$ 38,738		422,155
Public buildings	116,045	18,799		(11,426)	123,418
Total general government	\$ 3,239,321	\$ 99,059	\$ 38,738	\$ (18,426)	\$ 3,281,216
Public safety:					
Police	\$ 3,567,572	\$ 93,651	\$ 22,873	\$ 7,000	\$ 3,645,350
Fire	3,064,312	679,844	19,750		3,724,406
Zoning	37,195				37,195
Total public safety	\$ 6,669,079	\$ 773,495	\$ 42,623	\$ 7,000	\$ 7,406,951
Transportation:					
Administration	\$ 1,354,310				\$ 1,354,310
Streets and highways	2,358,865		\$ 68,744		2,290,121
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	211,709				211,709
Sidewalk systems	2,057,141	\$ 263,785			2,320,926
Street systems	4,710,881	413,460			5,124,341
Traffic engineering	64,929			\$ 11,426	76,355
Total transportation	\$ 14,677,570	\$ 677,245	\$ 68,744	\$ 11,426	\$ 15,297,497
Park maintenance, drainage and lot clearing	\$ 4,640,248	\$ 471,404			\$ 5,111,652
Totals	\$ 29,226,218	\$ 2,021,203	\$ 150,105	\$ 0	\$ 31,097,316

AGENCY FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 FINES AND FORFEITURES AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit G-1

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
 ASSETS				
Cash and investments	<u>\$ 100</u>	<u>\$ 6,316</u>	<u>\$ 6,000</u>	<u>\$ 416</u>
 LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 100</u>	<u>\$ 6,316</u>	<u>\$ 6,000</u>	<u>\$ 416</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2010

Exhibit H-1

Fiscal year	Uncollected Balance June 30, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010		\$ 6,596,718	\$ 6,405,344	\$ 191,374
2008-2009	\$ 224,705		140,550	84,155
2007-2008	86,294		45,026	41,268
2006-2007	43,182		20,552	22,630
2005-2006	22,192		9,280	12,912
2004-2005	13,664		5,171	8,493
2003-2004	6,554		702	5,852
2002-2003	10,958		1,035	9,923
2001-2002	6,462		516	5,946
2000-2001	9,462		1,714	7,748
1999-2000	10,366		10,366	0
	<u>\$ 433,839</u>	<u>\$ 6,596,718</u>	<u>\$ 6,640,256</u>	<u>\$ 390,301</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>133,750</u>
Ad valorem taxes receivable, net				<u>\$ 256,551</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 6,656,774
Reconciling items:				
Interest collected				(24,845)
Taxes written off after 10 years				8,327
Total collections and credits				<u>\$ 6,640,256</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit H-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	\$ 1,735,078,100	\$ 0.38	\$ 6,593,297	\$ 6,305,299	\$ 287,998
Penalties			3,421	3,421	
Net levy	<u>\$ 1,735,078,100</u>		\$ 6,596,718	\$ 6,308,720	\$ 287,998
Uncollected taxes at June 30, 2010			<u>191,374</u>	<u>173,338</u>	<u>18,036</u>
Current year's taxes collected			<u>\$ 6,405,344</u>	<u>\$ 6,135,382</u>	<u>\$ 269,962</u>
Current levy collection percentage			<u>97.10%</u>	<u>97.25%</u>	<u>93.74%</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, 2010

Exhibit H-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,530,832,500
Personal Property	179,603,092
Public Service Companies (2)	<u>24,642,508</u>
 Total Assessed Valuation	 <u>\$ 1,735,078,100</u>
 Tax Rate per \$100	 \$ <u>0.38</u>
 Levy (includes discoveries, releases, abatements) (3)	 <u>\$ 6,593,297</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.

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CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
PRINCIPAL TAXPAYERS
JUNE 30, 2010

Exhibit H-2b

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ASSESSED VALUE</u>	<u>% of TOTAL ASSESSED VALUE</u>
Ingles Markets, Inc.	Grocery Chain	\$ 24,902,982	1.44%
Boyd L. Hyder	Entrepreneur	22,900,300	1.32%
Wal-Mart Stores, Inc.	Retail Sales	21,607,823	1.25%
Highland Investors, LLC	Nursing Homes	15,673,660	0.90%
Lowes of Hendersonville	Home Improvement	13,376,242	0.77%
First Citizens Bank	Banking Service	13,030,101	0.75%
Home Depot	Home Improvement	11,972,965	0.69%
Blue Ridge Mall, LTD.	Retail Sales	11,698,500	0.67%
Henderson Crossing Shopping Center	Retail Sales	11,432,500	0.66%
Triangle Real Estate	Real Estate Sales	11,383,100	0.66%
		<hr/>	<hr/>
	Total	<u>\$ 157,978,173</u>	<u>9.10%</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, 2010

Exhibit H-3

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010		\$ 239,678	\$ 234,875	\$ 4,803
2008-2009	\$ 8,618		5,701	2,917
2007-2008	5,688		2,991	2,697
2006-2007	3,177		2,180	997
2005-2006	985		730	255
2004-2005	726		330	396
2003-2004	198		165	33
2002-2003	506		165	341
2001-2002	297			297
2000-2001	330			330
	<u>\$ 20,525</u>	<u>\$ 239,678</u>	<u>\$ 247,137</u>	<u>\$ 13,066</u>
Less allowance for uncollectible ad valorem taxes receivable				4,894
Ad valorem taxes receivable - net				\$ 8,172
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 242,447
Reconciling items:				
Interest collected				(1,980)
Releases				6,670
Total collections and credits				\$ 247,137

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit H-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 95,809,600	\$ 0.25	\$ 239,524	\$ 237,040	\$ 2,484
Penalties			154	154	
Net levy	<u>\$ 95,809,600</u>		\$ 239,678	\$ 237,194	\$ 2,484
Uncollected taxes at June 30, 2010			<u>4,803</u>	<u>4,698</u>	<u>105</u>
Current year's taxes collected			<u>\$ 234,875</u>	<u>\$ 232,496</u>	<u>\$ 2,379</u>
Current levy collection percentage		%	<u>98.00%</u>	<u>98.02%</u>	<u>95.77%</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, 2010

Exhibit H-5

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010		\$ 9,111	\$ 8,848	\$ 263
2008-2009	\$ 619		287	332
2007-2008	481		335	146
2006-2007	406		136	270
2005-2006	98		88	10
2004-2005	26			26
2003-2004	123			123
2002-2003	62			62
2001-2002	98			98
2000-2001	22		11	11
	<u>\$ 1,935</u>	<u>\$ 9,111</u>	<u>\$ 9,705</u>	<u>\$ 1,341</u>
Less allowance for uncollectible ad valorem taxes receivable				199
Ad valorem taxes receivable - net				\$ 1,142
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 10,319
Reconciling items:				
Interest collected				(614)
Total collections and credits				\$ 9,705

CITY OF HENDERSONVILLE, NORTH CAROLINA
 SEVENTH AVENUE TAX DISTRICT FUND
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit H-6

	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 11,357,500	\$ 0.08	\$ 9,086	\$ 8,670	\$ 416
Penalties			25	25	
Net levy	<u>\$ 11,357,500</u>		\$ 9,111	\$ 8,695	\$ 416
Uncollected taxes at June 30, 2010			<u>263</u>	<u>255</u>	<u>8</u>
Current year's taxes collected			<u>\$ 8,848</u>	<u>\$ 8,440</u>	<u>\$ 408</u>
Current levy collection percentage			<u>97.11%</u>	<u>97.07%</u>	<u>98.08%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit H-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 1,560,937	
Capital Reserve Fund		\$ 509,829
East Side Fire Station Capital Project Fund		509,828
Seventh Avenue Tax District Fund		52,800
Enterprise Funds:		
Solid Waste Fund		387,600
Water & Sewer Fund		100,880
Downtown Tax District Fund	100,000	
General Fund		100,000
Capital Reserve Fund	685,000	
General Fund		509,829
East Side Fire Station Capital Project Fund		175,171
	\$ 2,345,937	\$ 2,345,937
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 110,000	
Law enforcement services	40,000	
General Fund		\$ 150,000
	\$ 150,000	\$ 150,000

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	99
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	105
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	109
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.	113
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.	115

Sources: Unless other wise 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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066	\$ 13,737,365	\$ 16,738,488
Restricted	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898
Unrestricted	(A)	(A)	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504	11,249,729	8,059,282
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>	<u>\$ 25,264,303</u>	<u>\$ 24,969,668</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938	\$ 43,280,673	\$ 48,628,499
Restricted	(A)	(A)	-	-	-	-	-	-	-	-
Unrestricted	(A)	(A)	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335	22,481,842	20,179,419
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>	<u>\$ 65,762,515</u>	<u>\$ 68,807,918</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004	\$ 57,018,038	\$ 65,366,987
Restricted	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898
Unrestricted	(A)	(A)	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839	33,731,571	28,238,701
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>	<u>\$ 91,026,818</u>	<u>\$ 93,777,586</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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses										
Governmental Activities:										
General Government	(A)	(A)	\$ 1,317,680	\$ 1,361,553	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039	\$ 2,043,475	\$ 2,181,689
Public Safety	(A)	(A)	4,407,809	4,588,455	4,876,373	4,960,503	5,248,972	5,904,878	6,046,707	6,230,577
Environmental Protection	(A)	(A)	422,214	8,300	5,000	5,000	-	-	-	-
Economic and Physical Development	(A)	(A)	135,462	221,752	192,117	180,915	365,940	239,525	342,472	453,538
Transportation	(A)	(A)	1,555,299	1,286,798	1,438,031	1,191,132	1,583,224	1,582,437	1,928,695	1,869,352
Parks and Drainage	(A)	(A)	-	373,535	251,391	488,727	464,033	515,024	799,405	223,094
Cultural and Recreation	(A)	(A)	53,781	107,953	429,747	133,574	161,687	220,864	197,333	588,305
Interest on Long-Term Obligations	(A)	(A)	118,693	206,646	230,441	215,476	211,358	186,416	232,634	229,642
Total Governmental Activities Expenses	(A)	(A)	8,010,938	8,154,992	9,021,543	8,765,539	9,804,204	10,696,183	11,590,721	11,776,197
Business-Type Activities:										
Water and Sewer Fund	(A)	(A)	8,012,256	11,174,479	8,803,851	8,925,895	9,349,299	10,498,295	11,243,016	10,278,199
Solid Waste Fund	(A)	(A)	748,061	775,301	867,522	989,812	948,235	965,119	1,016,654	1,011,039
Total Business-Type Activities Expenses	(A)	(A)	8,760,317	11,949,780	9,671,373	9,915,707	10,297,534	11,463,414	12,259,670	11,289,238
Total Primary Government Expenses	(A)	(A)	\$ 16,771,255	\$ 20,104,772	\$ 18,692,916	\$ 18,681,246	\$ 20,101,738	\$ 22,159,597	\$ 23,850,391	\$ 23,065,435
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	(A)	(A)	\$ 177,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	(A)	(A)	41,808	190,437	142,305	161,804	133,358	159,579	154,633	153,171
Transportation	(A)	(A)	48,028	56,448	43,707	59,204	73,357	70,791	72,426	69,058
Parks and Drainage	(A)	(A)	-	41,960	18,850	21,030	21,350	23,450	17,850	15,000
Cultural and Recreational	(A)	(A)	27,735	-	49,818	84,178	101,780	119,147	145,221	154,555
Other Activities	(A)	(A)	6,680	-	-	-	-	-	-	-
Operating Grants and Contributions	(A)	(A)	788,801	638,783	673,487	509,555	410,529	497,857	511,908	627,018
Capital Grants and Contributions	(A)	(A)	282,806	32,029	1,653,745	726,529	162,159	178,328	214,998	400,000
Total Governmental Activities Program Revenues	(A)	(A)	1,373,005	959,657	2,581,912	1,562,300	902,533	1,049,152	1,117,036	1,418,802
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	(A)	(A)	8,750,588	10,174,684	11,471,824	12,586,225	13,112,540	12,846,457	12,040,335	12,892,729
Other Activities	(A)	(A)	338,918	323,079	347,044	507,746	530,470	543,892	671,189	695,814
Operating Grants and Contributions	(A)	(A)	1,132,700	-	-	-	-	-	-	-
Capital Grants and Contributions	(A)	(A)	2,894,789	140,452	648,545	660,761	-	-	-	-
Total Business-Type Activities Program Revenues	(A)	(A)	13,116,995	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349	12,711,524	13,588,543
Total Primary Government Revenues	(A)	(A)	\$ 14,490,000	\$ 11,597,872	\$ 15,049,325	\$ 15,317,032	\$ 14,545,543	\$ 14,439,501	\$ 13,828,560	\$ 15,007,345

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue										
Governmental Activities	(A)	(A)	\$ (6,637,933)	\$ (7,195,335)	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)	\$ (10,473,685)	\$ (10,357,395)
Business-Type Activities	(A)	(A)	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935	451,854	2,299,305
Total Primary Government Net (Expense)/Revenue	(A)	(A)	\$ (2,281,255)	\$ (8,506,900)	\$ (3,643,591)	\$ (3,364,214)	\$ (5,556,195)	\$ (7,720,096)	\$ (10,021,831)	\$ (8,058,090)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	(A)	\$ 4,625,261	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,674,560
Sales & Use Tax	(A)	(A)	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827	2,258,827
Other Taxes	(A)	(A)	85,549	79,741	76,151	79,707	76,478	80,352	88,077	88,077
Unrestricted Intergovernmental Revenue	(A)	(A)	740,955	847,401	874,925	912,419	981,492	1,157,165	1,321,124	1,321,124
Restricted Intergovernmental Revenue	(A)	(A)	983,607	785,731	2,390,042	1,320,271	658,093	699,273	744,405	744,405
Permits and Fees	(A)	(A)	73,840	82,210	67,867	169,562	143,643	35,510	18,252	18,252
Sales and Services	(A)	(A)	88,293	104,708	117,725	170,312	200,012	217,213	237,772	237,772
Investment Earnings	(A)	(A)	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049	259,049
Miscellaneous	(A)	(A)	139,265	123,661	273,129	389,192	66,171	141,330	290,705	290,705
Total Governmental Activities	(A)	(A)	8,717,283	9,482,491	11,815,032	11,709,130	11,767,279	12,490,745	11,892,771	11,892,771
Business-Type activities:										
Investment Earnings	(A)	(A)	466,087	119,052	295,222	511,490	699,364	867,850	191,425	191,425
Transfers	(A)	(A)	-	100,880	100,880	100,880	875,880	100,880	100,880	100,880
FEMA Settlement	(A)	(A)	-	-	66,312	-	-	-	-	-
Sale of Fixed Assets	(A)	(A)	-	-	821,550	4,150	100	-	-	-
Miscellaneous	(A)	(A)	65,290	53,475	19,427	16,220	5,678	4,680	29,639	29,639
Total Business-Type Activities	(A)	(A)	531,377	273,407	1,303,391	632,740	1,581,022	973,410	321,944	321,944
Total Primary Government	(A)	(A)	9,248,660	9,755,898	13,118,423	12,341,870	13,348,301	13,464,155	12,214,715	12,214,715
Change in Net Assets:										
Governmental Activities	(A)	(A)	2,079,350	2,287,156	5,375,401	4,505,891	2,865,608	2,843,714	1,419,086	1,535,376
Business-Type Activities	(A)	(A)	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345	773,798	2,621,249
Total Primary Government	(A)	(A)	\$ 6,967,405	\$ 1,248,998	\$ 9,474,832	\$ 8,977,656	\$ 7,792,106	\$ 5,744,059	\$ 2,192,884	\$ 4,156,625

(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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 2,161,581	\$ 2,004,317	\$ 1,736,698	\$ 1,818,166	\$ 2,662,611	\$ 2,154,351	\$ 1,792,483	\$ 1,918,643	\$ 2,024,160	\$ 1,858,002
Unreserved	4,694,021	4,920,813	3,830,757	4,733,483	4,164,195	5,901,729	6,949,231	6,005,467	6,128,738	6,023,111
Total General Fund	\$ 6,855,602	\$ 6,925,130	\$ 5,567,455	\$ 6,571,649	\$ 6,826,806	\$ 8,056,080	\$ 8,741,714	\$ 7,924,110	\$ 8,152,898	\$ 7,881,113
All Other Governmental Funds										
Reserved										
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-
Non-Major Funds	-	-	-	-	-	-	2,432	2,141	8,914	2,786
Unreserved, Reported In:										
Special Revenue Funds	5,329,658	4,659,931	4,501,330	3,765,904	3,364,194	2,916,977	2,276,112	2,172,462	1,684,112	1,146,121
Capital Projects Funds	570,837	259,384	337,364	281,985	278,462	273,319	269,116	207,018	2,022,107	1,766,967
Non-Major Funds	-	-	-	-	-	-	56,840	356,361	221,789	81,052
Other Fund Types	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 5,900,495	\$ 4,919,315	\$ 4,838,694	\$ 4,047,889	\$ 3,642,656	\$ 3,190,296	\$ 2,604,500	\$ 2,737,982	\$ 3,936,922	\$ 2,996,926

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes by Source:										
Property Tax	\$ 4,163,104	\$ 4,228,198	\$ 4,477,569	\$ 5,002,199	\$ 5,156,941	\$ 5,309,803	\$ 5,622,415	\$ 6,440,245	\$ 6,431,603	\$ 6,656,774
Sales Tax	1,697,067	1,740,809	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827	2,101,938
Other Taxes	74,076	82,865	85,549	79,741	76,151	79,707	76,478	80,352	88,077	158,441
Unrestricted Intergovernmental	1,222,055	489,289	822,455	847,401	874,925	912,419	981,492	1,157,165	1,217,924	1,179,906
Restricted Intergovernmental	426,854	541,484	475,314	483,818	1,492,386	1,092,028	472,435	588,395	509,680	479,425
Permits and Fees	61,433	65,156	73,840	82,210	67,867	169,562	143,643	35,510	18,252	21,647
Sales and Services	91,432	103,129	88,293	104,708	117,725	170,312	200,012	217,213	237,772	241,313
Investment Earnings	417,421	152,156	91,611	51,887	176,604	501,524	919,238	717,518	164,320	34,487
Miscellaneous	242,625	77,238	139,265	123,661	273,129	105,680	66,171	81,330	169,119	156,538
Total Revenues	\$ 8,396,067	\$ 7,480,324	\$ 8,083,028	\$ 8,966,848	\$ 10,643,142	\$ 10,892,299	\$ 11,239,049	\$ 11,904,221	\$ 11,095,574	\$ 11,030,469
Expenditures										
Current:										
General Government	1,356,247	1,320,254	1,439,074	1,327,880	2,154,392	1,543,951	1,695,560	2,048,160	1,946,835	1,946,835
Public Safety	3,572,098	3,730,098	3,959,838	4,548,748	4,556,815	4,530,075	5,426,100	5,556,863	5,879,051	5,879,051
Transportation	1,238,930	1,442,117	2,120,689	1,010,873	2,377,499	2,260,783	1,758,683	1,780,266	1,570,766	1,570,766
Park Maintenance & Drainage	449,063	342,621	413,026	383,006	490,495	567,525	469,048	1,083,802	515,269	515,269
Cultural and Recreation	24,795	32,965	53,781	54,132	153,736	133,574	161,687	220,864	323,941	323,941
Capital Outlay -- See Capital Asset Expenditures on Next Page										
Debt Service:										
Principal	235,078	239,827	243,940	359,283	471,026	475,296	323,333	323,333	323,333	323,333
Interest and Fees	146,566	130,504	120,648	180,429	234,207	218,542	214,108	189,739	207,856	207,856
Total Expenditures	\$ 7,022,777	\$ 7,238,386	\$ 8,350,996	\$ 7,864,351	\$ 10,438,170	\$ 9,729,746	\$ 10,048,519	\$ 11,203,027	\$ 10,767,051	\$ 10,767,051
Excess of Revenues Over (Under) Expenditures	\$ 1,373,290	\$ 241,938	\$ (267,968)	\$ 1,102,497	\$ 204,972	\$ 1,162,553	\$ 1,190,530	\$ 701,194	\$ 328,523	\$ 263,418

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 (CONTINUED)
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)

UNAUDITED

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100,000	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) Other Funds:										
Enterprise Fund: Solid Waste Fund	(383,460)	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)	(292,058)	(387,600)
Water and Sewer Fund	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	-	529,050	-	-	-	-	-
Seventh Avenue Tax District	-	-	-	-	-	(5,300)	-	-	-	-
Capital Projects Fund - City Hall Renov	-	-	-	-	(328,200)	243,651	-	-	-	-
Capital Reserve Fund	-	796,717	1,190,000	516,417	1,341,600	542,630	1,527,160	865,000	552,760	870,899
Capital Reserve Fund	-	-	(1,034,447)	-	(742,675)	-	(743,516)	(870,323)	-	-
Capital Projects Fund - Wash Creek Project	-	-	-	-	-	-	-	(175,000)	(45,084)	-
Capital Projects Fund - SkatePark	-	-	-	-	(72,000)	-	-	(175,000)	(114,297)	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	-	(202,000)	-	-
Greenways Phase II Grant Fund	-	-	-	-	-	-	-	-	-	-
Downtown Tax District	(20,000)	(10,000)	-	-	-	-	-	-	75,000	-
Downtown Tax District	4,000	3,370	-	-	-	-	-	(494,805)	(110,677)	100,000
Seventh Avenue Tax District	-	-	-	-	-	-	-	-	(64,500)	(52,800)
Operating Transfers: Law Enforcement	20,000	20,000	20,000	-	-	-	-	-	-	-
Profit Distribution	72,500	78,000	81,500	-	-	-	-	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	(407,840)	(172,410)	(988,207)	(98,303)	50,185	(542,558)	(686,800)	133,482	(901,058)	(1,904,819)
Total Other Financing Sources (Uses)						(475,837)	(1,191,696)	(1,385,316)	1,099,206	(1,475,200)
Net Change in Fund Balances	965,450	69,528	(1,256,175)	1,004,194	255,157	686,716	(1,166)	(684,122)	1,427,729	(1,211,782)
Capital Asset Expenditures	722,899	551,358	1,287,849	2,791,190	4,654,349	\$ 1,264,009	\$ 1,361,822	\$ 2,534,977	\$ 1,563,982	\$ 2,021,203
Debt Service as a Percentage of Noncapital Expenditures	6.1%	5.5%	5.2%	10.6%	12.2%	8.2%	6.2%	5.9%	5.8%	6.1%

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					
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	157,810,769	822,034,288	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	202,055,495	861,531,281	75,950,930	102,949,041	7,050,933	1,235,435,814	0.43	1,565,824,859	78.9%
2007	220,275,995	885,095,490	93,097,907	115,982,605	6,303,625	1,308,148,372	0.43	1,730,354,989	75.6%
2008	549,262,016	932,920,789	93,606,259	131,903,467	8,099,431	1,699,593,100	0.38	1,713,299,496	99.2%
2009	586,303,906	940,048,764	84,719,211	123,978,975	10,925,656	1,724,125,200	0.38	1,734,539,856	99.4%
2010	590,859,360	952,532,747	75,788,947	128,456,653	12,559,607	1,735,078,100	0.38	1,737,705,121	99.8%

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates:									
Basic Rate	\$ 0.450	\$ 0.450	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380	\$ 0.380
Debt Service	-	-	-	-	-	-	-	-	-
Total Direct Rate	0.450	0.450	0.450	0.430	0.430	0.430	0.430	0.380	0.380
County Rates:									
Henderson County	0.500	0.500	0.500	0.475	0.475	0.515	0.565	0.462	0.462
Town of Fletcher	0.250	0.250	0.270	0.250	0.270	0.270	0.270	0.270	0.270
Town of Laurel Park	0.310	0.310	0.310	0.300	0.310	0.310	0.335	0.270	0.270
Town of Saluda	0.500	0.500	0.500	0.500	0.500	0.500	0.540	0.605	0.605
Town of Mills River	-	-	-	0.070	0.075	0.075	0.075	0.075	0.075
Village of Flat Rock	-	-	-	-	-	0.085	0.085	0.075	0.075
Fire (14) District Rates:									
From Lowest	0.060	0.065	0.065	0.060	0.065	0.065	0.065	0.060	0.060
To Highest	0.120	0.120	0.120	0.120	0.115	0.115	0.115	0.115	0.115
Special Purpose District Rates:									
Downtown Tax District	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.250	0.250
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.080	0.080

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2010

UNAUDITED

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 24,902,982	1	1.44%	\$ 18,238,420	1	1.98%
Boyd L. Hyder	22,900,300	2	1.32%	9,255,911	8	1.00%
Wal-Mart, Inc.	21,607,823	3	1.25%	-		
Highland Investors, LLC	15,673,660	4	0.90%	12,747,400	3	1.38%
Lowe's of Hendersonville	13,376,242	5	0.77%	8,867,860	10	0.96%
First Citizens Bank	13,030,101	6	0.75%	15,365,470	2	1.66%
Home Depot	11,972,965	7	0.69%	10,566,460	7	1.14%
Blue Ridge Mall, LTD	11,698,500	8	0.67%	10,856,080	6	1.18%
Henderson Crossing Shopping Center	11,432,500	9	0.66%	-		
Triangle Real Estate, Inc.	11,383,100	10	0.66%	-		
Duke Energy	-			9,151,255	9	0.99%
BellSouth	-			11,244,205	5	1.22%
Robert D. Williams	-			-		
Carolina Village Inc.	-			12,679,340	4	1.37%
Totals	\$ 157,978,173		9.10%	\$ 106,225,001		12.89%

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	
		Fiscal Year	Fiscal Year		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 3,552,150	\$ 338,081	\$ 338,081	\$ 3,890,231	\$ 3,785,365	97.30%	121,223	\$ 3,906,588	100.42%
2002	3,781,531	182,146	182,146	3,963,677	3,866,099	97.54%	121,256	3,987,355	100.60%
2003	3,896,307	299,574	299,574	4,195,881	4,070,731	97.02%	154,817	4,225,548	100.71%
2004	4,281,731	407,473	407,473	4,689,204	4,593,772	97.96%	113,760	4,707,532	100.39%
2005	4,636,382	118,923	118,923	4,755,305	4,667,594	98.16%	188,897	4,856,491	102.13%
2006	4,826,530	161,133	161,133	4,987,663	4,891,685	98.08%	124,677	5,016,362	100.58%
2007	5,019,939	209,399	209,399	5,229,338	5,130,561	98.11%	103,894	5,234,455	100.10%
2008	5,952,337	490,571	490,571	6,442,908	6,314,694	98.01%	103,990	6,418,684	99.62%
2009	6,071,297	488,524	488,524	6,559,821	6,335,116	96.57%	72,857	6,407,973	97.69%
2010	\$ 6,181,286	\$ 415,320	\$ 415,320	\$ 6,596,718	\$ 6,405,344	97.10%	234,912	\$ 6,640,256	100.66%

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			
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
2009	2,910,000	-	2,216,667	520,000	-	18,154,326	23,800,993	684.1%	\$ 1,831
2010	\$ 2,770,000	\$ -	\$ 1,983,334	\$ 255,000	\$ -	\$ 16,505,815	\$ 21,514,149	610.4%	\$ 1,638

Note: Details regarding the City of Hendersonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of	
				Estimated Actual Taxable Value of Property	Per Capita
2001	\$ 1,530,000.0	-	\$ 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
2009	2,910,000	-	2,910,000	0.17%	224
2010	\$ 2,770,000	-	\$ 2,770,000	0.16%	\$ 211

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, 2010

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	125,103,602	12.48%	15,612,930
Subtotal, Overlapping Debt			<u>15,612,930</u>
City of Hendersonville Direct			<u>4,753,334</u>
Total Direct and Overlapping Debt			<u>\$ 20,366,264</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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	74,044,822	76,022,075	79,963,569	92,704,661	94,435,205	99,398,940	105,156,160	135,967,448	137,930,016	\$ 138,806,248
Total Net Debt Applicable to Debt Limit	19,570,447	20,297,233	18,670,282	20,623,408	18,967,255	18,003,776	15,518,820	23,741,378	23,293,992	21,412,148
Legal Debt Margin	<u>54,474,375</u>	<u>55,724,842</u>	<u>61,293,287</u>	<u>72,081,253</u>	<u>75,467,950</u>	<u>81,395,164</u>	<u>89,637,340</u>	<u>112,226,070</u>	<u>\$ 114,636,024</u>	<u>\$ 117,394,100</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	26.4%	26.7%	23.3%	22.2%	20.1%	18.1%	14.8%	17.5%	16.9%	15.4%

Legal Debt Margin Calculation for Fiscal Year 2010

Total Assessed Value	\$ 1,735,078,100
Debt Limit (8% of Total Assessed Value)	138,806,248
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	18,489,148
Total Bonded Debt	3,025,000
Less: Water Bonds Outstanding	(102,000)
Total Amount of Debt Applicable to Debt Limit	<u>21,412,148</u>
Legal Debt Margin	<u>\$ 117,394,100</u>

Note: Chapter 159-55 of the State of North Carolina General Statutes, as amended, provides that no government shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property subject to

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)		(7)		(8)
	City Population	County Population	Personal Income ('000's)	Per Capita Personal Income	School Enrollment	County Unemployment Rate	State Unemployment Rate	U.S. Unemployment Rate		
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%		
2009	12,997	103,855	3,479,142	33,500	13,310	9.4%	11.0%	9.5%		
2010	13,135	105,221	3,524,371	33,495	13,325	8.2%	10.0%	9.5%		

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 2009 & 2010
- (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	2010			2001		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,825	1	14.60%	1,450	1	11.53%
Pardee Hospital	1,260	2	10.08%	1,080	3	9.44%
Park Ridge Hospital	1,050	3	8.40%	500	9	4.72%
Wilsonart International	740	4	5.92%	750	4	7.86%
General Electric Lighting	725	5	5.80%	1,100	2	11.53%
Arvin-Meritor	700	6	5.60%	650	6	5.77%
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			435	10	4.56%
Continental Tevis	522			-	-	-
Kyocera Engineering	500			-	-	-
Kimberly-Clark Corporation	265			500	8	5.24%
Totals	10,895		71.79%	7,695		73.55%

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
UNAUDITED

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities										
General Government:										
Administration	6	4	4	4	3	3	3	3	3	3
Finance	4	4	4	4	12	12	12	12	12	12
Support Services	3	4	8	10	10	10	10	10	11	11
Public Safety:										
Police	45	45	45	45	45	45	50	50	50	50
Fire	17	17	17	17	17	17	17	17	20	20
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	3	3	3	3	3	3
Streets & Highways	7	7	7	7	7	7	7	9	9	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	29	29	29	31	31	31
Business-Type Activities										
Water and Sewer Fund	76	78	78	74	66	66	67	67	68	68
Solid Waste Fund	10	10	10	10	10	10	10	10	10	10
Total	191	192	196	194	192	192	198	200	205	205

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Building Permits Issued:										
Residential	203	307	348	141	244	235	163	92	106	103
Commercial	240	192	95	101	111	99	80	50	76	226
Public Safety - Police										
Physical Arrests	2,379	1,833	1,690	1,979	2,173	2,177	2,736	2,735	2,175	2,120
Traffic Violations	2,013	2,346	2,233	2,861	2,628	2,685	3,631	3,624	3,815	2,997
Parking Violations	3,445	4,362	3,799	3,854	2,353	2,313	2,353	2,358	2,317	1,865
Public Safety - Fire										
Number of Fire Calls Answered	1,122	1,223	1,377	1,478	1,629	1,617	1,703	1,899	1,871	1,842
Inspections Conducted	152	219	205	509	601	620	548	534	1,066	1,997
Water										
Number of Service Connections	19,688	20,492	21,196	21,832	23,105	23,650	24,300	25,301	25,471	25,801
Average Daily Production in Gallons	6,968,000	7,122,000	7,262,000	7,239,000	6,455,000	6,956,000	6,870,000	6,660,000	5,885,000	6,969,500
Sewer										
Number of Service Connections	5,793	6,333	6,647	6,846	7,608	7,700	8,000	8,051	8,118	8,173
Average Daily Treatment in Gallons	2,933,000	2,502,000	3,370,000	3,250,000	3,039,000	2,632,000	2,786,000	2,435,000	2,410,000	2,937,300
Solid Waste										
Refuse Collected (Tons per Year)	4,381	4,513	4,693	4,745	4,774	4,605	4,501	4,324	4,152	3,885
Recycling Collections (Tons per Year)	520	543	594	563	603	708	1,354	1,021	1,083	2,195
Cable TV Subscribers										
City	2,586	2,494	2,167	2,019	2,024	3,639	3,336	3,338	3,215	3,062
County	18,127	17,646	15,483	14,283	13,669	11,639	10,405	10,411	10,026	9,548
Flat Rock	1,602	1,667	1,619	1,590	1,575	1,288	1,186	1,187	1,143	1,088
Fletcher	2,297	2,263	2,200	2,001	1,799	1,409	1,260	1,261	1,214	1,156
Laurel Park	961	960	898	895	898	881	806	806	776	739
Mills River	-	-	-	-	670	1,046	953	953	918	874
Total Subscribers	25,573	25,030	22,367	20,788	20,635	19,902	17,946	17,956	17,292	16,467

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Hendersonville										
Public Facilities/Buildings	4	4	4	4	3	3	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	34	34	38	38
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)	58.70	58.70	59.10	59.10	60.51	62.95	65.04	65.03	65.04	65.36
Street Lights	1,469	1,469	1,469	1,471	1,575	1,580	1,587	1,587	1,617	1,622
Parks and Recreation										
Parks Acreage	99	99	99	99	99	99	99	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	7	7	7	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	528	549	556	564	567	569	571	575	578	581
Fire Hydrants	1,892	2,001	2,024	2,062	2,120	2,135	2,140	2,233	2,359	2,446
Sewer										
Sanitary Sewers (Miles)	117	131	135	148	153	154	154	160	165	167
Storm Sewers (Miles)	25	25	30	30	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.

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MEMBERS:
AMERICAN INSTITUTE OF
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NORTH CAROLINA ASSOCIATION OF
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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
Members of the City Council
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, 2010, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 24, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 2010.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and state awarding agencies and passthrough agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Carroll & Anderson Incorporated

November 24, 2010

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MEMBERS:
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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the City of Hendersonville, North Carolina compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hendersonville's major federal programs for the year ended June 30, 2010. The City of Hendersonville major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on the City of Hendersonville's compliance based on our audit.

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

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

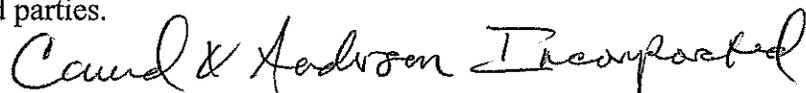
Internal Control Over Compliance

The management of the City of Hendersonville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hendersonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



November 24, 2010

CARLAND & ANDERSEN INCORPORATED

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

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

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET
HENDERSONVILLE, NORTH CAROLINA 28792

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

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2010. The City of Hendersonville major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Hendersonville's management. Our responsibility is to express and opinion on the City of Hendersonville's compliance based on our audit.

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

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Hendersonville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Hendersonville's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected and corrected, on a timely basis.

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

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

Carroll & Anderson Incorporated

November 24, 2010

CITY OF HENDERSONVILLE, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2010

I. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of the City of Hendersonville..
- B. Our audit of the basic financial statements disclosed no material weaknesses over financial reporting or significant deficiencies in internal control.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that were material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City's major program disclosed no material weaknesses or significant deficiencies in internal control over the major programs.
- E. An unqualified opinion was issued on the City of Hendersonville's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the City of Hendersonville's compliance with the types of compliance requirements applicable to its major State program.
- G. Our audit disclosed no audit findings which relate to federal and State awards that are required to be reported in accordance with Section 510 (a) of Circular A-133.
- H. Major federal programs for the City of Hendersonville for the fiscal year ended June 30, 2010 are:

Name of Federal Program	CFDA
Highway Planning and Construction	20.205-4
Capitalization Grants for Drinking Water - State Revolving Loan Funds	66.468

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

- I. The Major State program for the City of Hendersonville for the fiscal year ended June 30, 2010 is:

Program Name

Powell Bill Program

- J. The threshold for determining Type A programs for the City of Hendersonville is \$300,000.
- K. The City of Hendersonville qualified as a low risk auditee under Section .530 of Circular A-133.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

II. Findings Related to the Audit of the Basic Financial Statements of the City of Hendersonville

The City of Hendersonville had no findings or questioned costs related to the audit of its Basic Financial Statements for the fiscal year ended June 30, 2010.

III. Findings and Questioned Costs related to the Audit of Federal and State Awards

The City of Hendersonville had no findings or questioned costs related to the audit of federal and State awards for the fiscal year ended June 30, 2010.

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CITY OF HENDERSONVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2010

A Corrective Action Plan has already been implemented by the City of Hendersonville for all prior year findings.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Finding	2009-1
Status:	The Board and management are monitoring budgets monthly and making necessary amendments to avoid expenditures in excess of appropriations and incorporating into the budget amounts expected to be expended by the City of Hendersonville.

CITY OF HENDERSONVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor/Passthrough Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State / Passthrough Grantor's No.</u>	<u>Federal/ Direct and Passthrough Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants: ;					
Cash Programs:					
<u>U. S. Department of Agriculture</u>					
Passthrough N. C. Dept. of Environment and Natural Resources-N C Forest Service					
Co-operative Forestry Assistance	10.664	UCF 2010-10-20	\$ 11,800		
<u>U. S. Department of Justice</u>					
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Grants to Units of Local Governments					
Edward Byrne Memorial Justice Assistance Grant Formula Grant	16.804		61,478		
	16.738		1,340		
<u>U. S. Department of Transportation</u>					
Passthrough N. C. Dept. of Transportation					
ARRA-Highway Planning and Construction	20.205-1	45240.1.ST1	106,472		
ARRA-Highway Planning and Construction	20.205-1	45240.2.ST1	63,027		
Highway Planning and Construction	20.205-4	38657.3.1	320,000	\$ 80,000	
Governor's Highway Safety Program					
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Drivers	20.605	42589.3.2	457		
Safety Belt Performance Grant	20.609	58000.12.4	1,113		
<u>U. S. Environmental Protection Agency</u>					
Passthrough N C Dept of Environment and and Natural Resources					
State and Tribal Assistance Grants	66.202	XP-96492108	1,571		
Total Cash Assistance			\$ 567,258	\$ 80,000	
Noncash Programs:					
<u>U. S. Environmental Protection Agency</u>					
Passthrough N C Dept of Environment and and Natural Resources					
Capitalization Grants for Drinking Water - State Revolving Loan Funds	66.468	XP-96492108	\$ 381,553	\$ 110,596	
Total Assistance - Federal Programs			\$ 948,811	\$ 190,596	

CITY OF HENDERSONVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND
 STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor/Passthrough Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State / Passthrough Grantor's No.</u>	<u>Federal/ Direct and Passthrough Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
State Grants:					
Cash Programs:					
<u>N. C. Department of Commerce</u>					
Clean Water Partners Fund					
Passthrough N C Rural Economic Develop. Ctr		2008-147-			
French Broad River Raw Water Intake Project		40101-112		\$ 214,986	
<u>N. C. Department of Transportation:</u>					
Powell Bill Program		32570		<u>459,109</u>	
Total Assistance - State Programs				<u>\$ 674,095</u>	
Total Cash			<u>\$ 948,811</u>	<u>\$ 864,691</u>	<u>-</u>

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

Loans outstanding

The City of Hendersonville had the following loan balance outstanding at June 30, 2010.

This loan balance outstanding is also included in the federal expenditures presented in this schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Passthrough Grantor's number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66.468	XP-96492108	\$ 492,148