CITY OF HENDERSONVILLE

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2009

Prepared by:

Department of Finance

THE CITY OF HENDERSONVILLE · N.C.
1847

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	PAGE NUMBERS
INTRODUCTORY SECTION	
Letter of Transmittal	vi
Certificate of Achievement in Financial Reporting	xii
Organizational Chart	xiii
List of Elected and Appointed Officials	xiv
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
General Fund and Annually Budgeted Major Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	21
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets	27
Notes to the Financial Statements	28
Required Supplementary Information:	
Public Safety Employees Retirement System:	
Analysis of Funding Progress	55
Schedule of Employer Contributions	56

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	PAGE NUMBERS
Other Post-employment Benefits:	
Analysis of Funding Progress	57
Schedule of Employer Contributions	58
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual	59
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet -- Non-major Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -- Non-major Governmental Funds	67
Special Revenue Funds:	
Downtown Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual	69
Seventh Avenue Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual	70
Oklawaha Greenway Phase II Project:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	71
Governor's Highway Safety Program Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	72
Wash Creek Stream Restoration Project Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	73
Capital Reserve Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual	74
Capital Projects Fund:	
Sidewalk Construction Project:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	75

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	PAGE NUMBERS
Skateboard Park Construction Project:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	76
Enterprise Funds:	
Solid Waste Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP)	77
Water and Sewer Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP)	78
Water and Sewer Capital Project Fund:	
Brightwater Heights Water System Project:	
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	81
Water Treatment Plant Expansion Project:	
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	82
Fresh Water Intake Construction Project:	
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	83
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	84
Schedule by Function and Activity	85
Schedule of Changes by Function and Activity	86
Fines and Forfeitures Agency Fund:	
Statement of Changes in Assets and Liabilities	87
SCHEDULES SECTION:	
General Fund:	
Schedule of Ad Valorem Taxes Receivable	88
Analysis of Current Tax Levy -- City-Wide Levy	89
General Fund (Secondary Market Disclosure):	
Analysis of Current Tax Levy -- City-Wide Levy	90
Principal Taxpayers	91
Downtown Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable	92
Analysis of Current Tax Levy	93

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	PAGE NUMBERS
Seventh Avenue Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable	94
Analysis of Current Tax Levy	95
Schedule of Transfers - All Funds	96
STATISTICAL SECTION	
Net Assets by Component	97
Changes in Net Assets	98
Fund Balances of Governmental Funds	100
Changes in Fund Balances of Governmental Funds	101
Assessed Value and Estimated Actual Value of Taxable	103
Property Tax Rates - Direct and Overlapping Governments	104
Principal Property Taxpayers	105
Property Tax Levies and Collections	106
Ratios of Outstanding Debt by Type	107
Ratio of General Bonded Debt Outstanding	108
Direct and Overlapping Governmental Activities Debt	109
Legal Debt Margin Information	110
Demographic and Economic Statistics	111
Principal Employers	112
Full-time Equivalent City Government Employees by Function	113
Operating Indicators by Function	114
Capital Asset Statistics by Function	115
COMPLIANCE SECTION	
Report on Compliance and Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	116
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	118
Schedule of Findings and Questioned Costs	120
Schedule of Expenditures of Federal and State Awards	123

INTRODUCTORY SECTION

THE CITY OF HENDERSONVILLE · NC
1847

LETTER OF TRANSMITTAL

THE CITY OF HENDERSONVILLE · NC
1847

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

CITY OF HENDERSONVILLE

"The City of Four Seasons"

FINANCE DEPARTMENT
James W. Rudisill, Finance Director

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

November 24, 2009

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, 2009.

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, 2009, 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, 2009, 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.

145 Fifth Avenue East
Hendersonville, NC 28792-4328
e-mail: jrudisill@cityofhendersonville.org

P.O. Box 1670
Hendersonville, NC 28793-1670

Phone: (828) 697-3020
Fax: (828) 697-3014
www.cityofhendersonville.org

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hendersonville's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Hendersonville 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, 2009, the North Carolina Office of State Planning estimated the city's population to be 12,997.

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 moniker was given to the city over 50 years ago by 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 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, 80 nurseries and two sod farms produce an estimated 4,200 species of plants on about 4,000 acres of land. Henderson County is second in the state in ornamental plant production. It has exceeded apple production for nearly ten years. In all its various forms, agricultural production means more than a $100 million dollars to our local economy each year. Gross income for the past year totaled about $60 million in farm gate sales with another $50 million from the landscaping sector.

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

Long-term financial planning. Undesignated and unreserved fund balance in the general fund equaled 69.4 percent of total general fund expenditures as of June 30, 2009. 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, 2009, totaled $1,684,112.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (550,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2009, totaled $1,014,410.

Cash management policies and practices. All available funds were invested in bank demand deposits, bank certificates of deposit, the North Carolina Capital Management Trust (the Trust) and First Citizens Capital Management Group. Approximately sixty-nine (69) percent of the City's funds are invested in the Trust. The Trust is a diversified, open-end, financial management company that offers investment alternatives exclusively to local governments and public authorities of North Carolina as defined in Section 159-30 of the General Statutes. The Trust is Triple-A rated by Standard & Poor's Ratings Services and is also regulated by the Securities and Exchange Commission. Twenty-three (23) percent of the City's investments are with the First Citizens Capital Management Group and the remaining eight (8) percent are held by Wachovia Bank, Carolina First, HomeTrust Bank, and Sun Trust Bank. The City also utilizes the services of Branch Banking and Trust (BB&T). As of June 30, 2009, the balance on the BB&T loan for the Water Treatment Plant Renovation Project totaled $8,734,786.

The Trust offers two professionally managed investment funds that provide an economical and convenient medium for investing available cash on hand. The two funds are designated as follows: (1) Cash Portfolio, and (2) Term Portfolio. During the fiscal year the City only

participated in the Cash Portfolio. The objective of the Cash Portfolio is to maintain a constant net asset value of $1.00 per share through investment in high grade money market instruments, including obligations of the U.S. Government and the State of North Carolina, and in bonds and notes of any North Carolina local government or public body. It is designed for investors who want to earn a high level of current income while preserving capital, liquidity and the value of their investment. For the fiscal year ended June 30, 2009, the Cash Portfolio's average annual return equaled 1.73 percent as compared to 4.32 percent for the prior year. The average yield on 6 month certificates of deposit for the same time period was 1.63 percent.

During Fiscal Year 2009 the City continued to diversify its investment portfolio by investing in certificates of deposit with First Citizens Bank, Carolina First Bank, HomeTrust Bank, and SunTrust Bank. This was done to ensure that the city gets competitive interest rates among all of its investments. As the economy continues to improve and the pressure on interest rates continues to rise, more emphasis will be placed on securing investments with the highest interest rates available. The total amount of interest income for the year on all city investments equaled $710,585. Interest income decreased $1,237,786 or 63.5% over the prior year due to a severe decline in interest rates. The City is not limited in the amount of funds that may be invested in any one financial institution. The City does, however, strictly adhere to North Carolina General Statute 159-30 which dictates the type of investments in which the city can invest public funds.

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008. This was the twenty-first consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

James W. Rudisill

James W. Rudisill
Finance Director

g:myfiles\wpdocs\cafr2009.wpd

Certificate of Achievement for Excellence in Financial Reporting

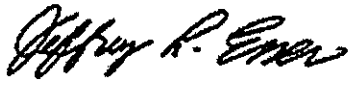
Presented to

City of Hendersonville
North Carolina

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

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

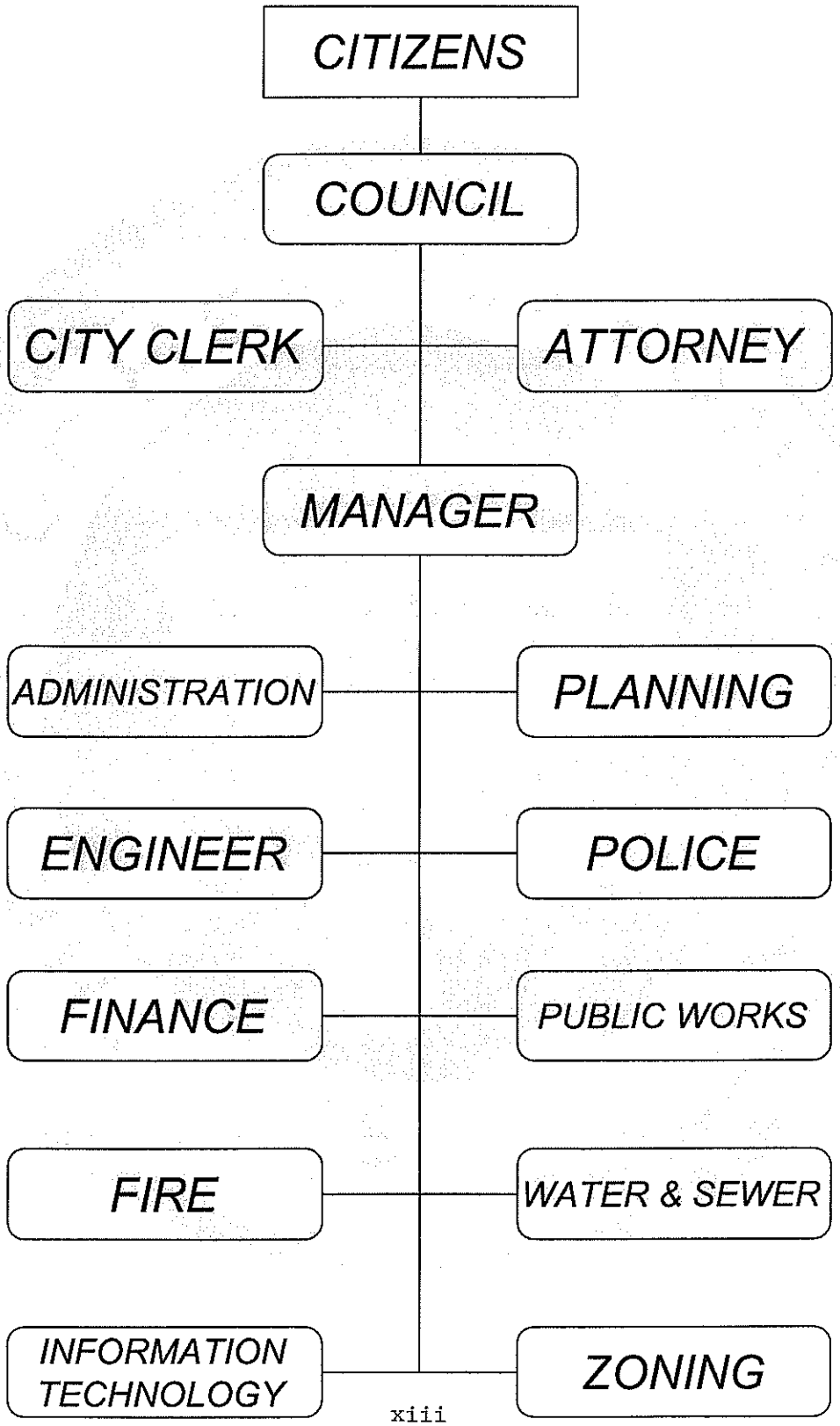
President



Executive Director

CITY OF HENDERSONVILLE

Organizational Chart



CITY OF HENDERSONVILLE OFFICIALS

CITY COUNCIL

Mayor.....Greg Newman

Mayor Pro-Tem.....Barbara Volk

Jeff Collis
Steve Caraker
William O'Cain

CITY STAFF

City Manager . . . . . W. Bowman Ferguson

City Clerk . . . . . Tammie K. Drake

City Attorney. . . . . Sam H. Fritschner

Finance Director . . . . . James W. Rudisill

THE CITY OF HENDERSONVILLE · NC
1847

FINANCIAL SECTION

THE CITY OF HENDERSONVILLE · N.C.
1847

INDEPENDENT AUDITORS' REPORT

CARLAND & ANDERSEN
INCORPORATED
CERTIFIED PUBLIC ACCOUNTANTS

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

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

307 NORTH CHURCH STREET
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2009 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, 2009, 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, 2009 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 introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Carroll & Anderson Incorporated

November 24, 2009

THE CITY OF HENDERSONVILLE · N.C.
1847

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE CITY OF HENDERSONVILLE · N.C.
1847

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, 2009. 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

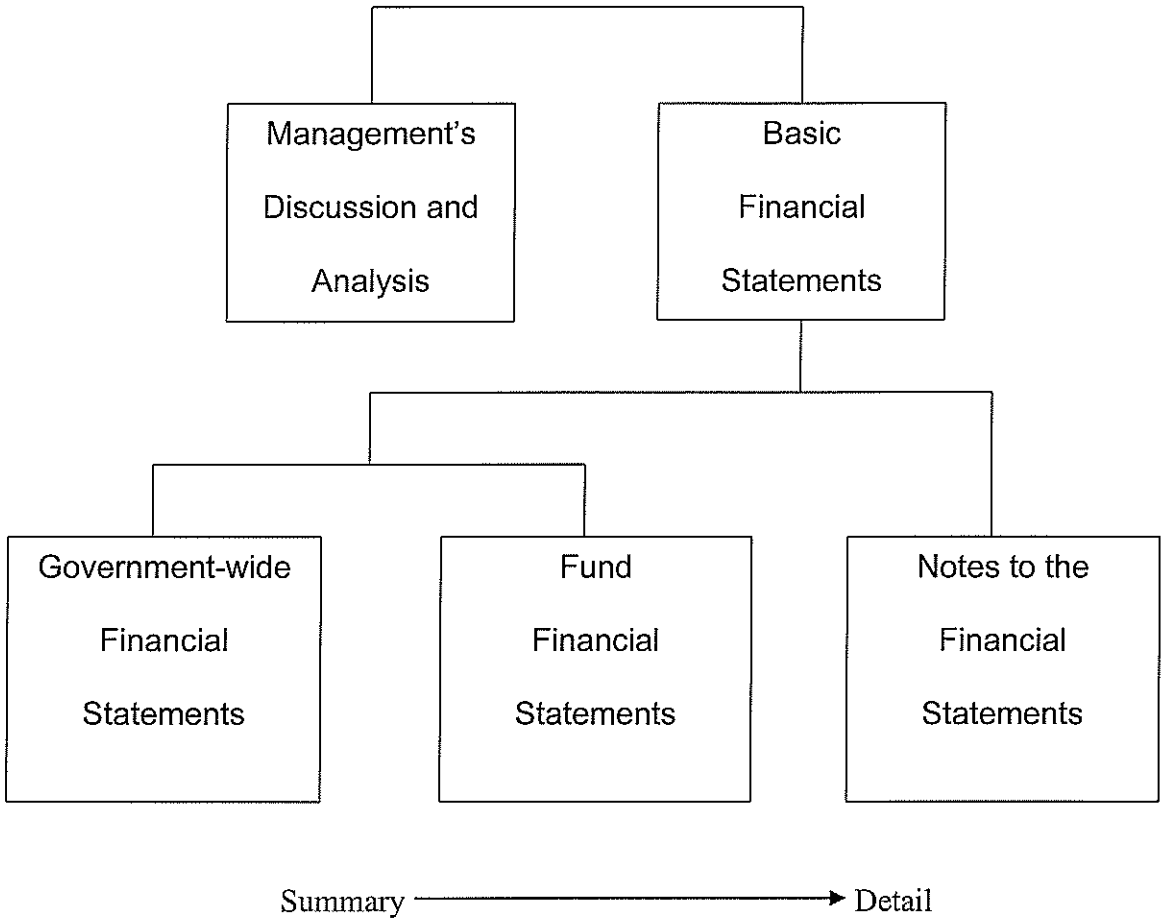
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by $91,026,818 ***(net assets)***.
- The government's total net assets *increased* by $1,662,457, primarily due to *increases* in both the *governmental* and the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12,089,820 an in*crease* of $1,427,728 in comparison with the prior year. Approximately 91.5 percent of this total amount, or $11,066,666, 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 $6,128,738 or 56.9 percent of total general fund expenditures for the fiscal year.
- The City's total debt de*creased* by $1,775,945 or 8.6% 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. Hendersonville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 12,801,180	$ 11,252,918	$ 25,555,520	$ 37,566,355	$ 38,356,700	$ 48,819,273
Capital assets	18,864,032	18,525,066	61,940,706	48,622,751	80,804,738	67,147,817
Total assets	31,665,212	29,777,984	87,496,226	86,189,106	119,161,438	115,967,090
Long-term liabilities outstanding	5,458,025	3,620,917	16,996,337	19,385,742	22,454,362	23,006,659
Other liabilities	942,884	900,979	4,737,374	2,695,091	5,680,258	3,596,070
Total liabilities	6,400,909	4,521,896	21,733,711	22,080,833	28,134,620	26,602,729
Net assets:						
Invested in capital assets, net of related debt	13,737,365	15,175,066	43,280,673	28,069,938	57,018,038	43,245,004
Restricted	277,209	202,518			277,209	202,518
Unrestricted	11,249,729	9,878,504	22,481,842	36,038,335	33,731,571	45,916,839
Total net assets	$ 25,264,303	$ 25,256,088	$ 65,762,515	$ 64,108,273	$ 91,026,818	$ 89,364,361

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 $91,026,818 as of June 30, 2009. Hendersonville's net assets *increased* by $1,662,457 for the fiscal year ended June 30, 2009. However, the largest portion (62.6%) 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 (0.03%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $33,731,571 (37%) 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 96.8% despite the economic turmoil of the past two years.
- Franchise tax receipts increased an estimated $61,152.
- Income from business licenses increased by $6,723 indicating that even though the economy has slowed new businesses are still coming to Hendersonville.
- Vendor permits for festivals were up $2,454 as compared to the prior year.
- Pool entrance fees and concessions were up $16,643 as compared to the prior year.
- ABC revenues were consistent with prior year collections.

City of Hendersonville's Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 390,130	$ 372,967	$ 12,711,524	$ 13,390,349	$ 13,101,654	$ 13,763,316
Operating grants & contributions	511,908	497,857	-	-	511,908	497,857
Capital grants and contributions	214,998	178,328	-	-	214,998	178,328
General revenues:						
Property taxes	6,827,965	6,725,177	-	-	6,827,965	6,725,177
Other taxes	3,542,686	3,712,129	-	-	3,542,686	3,712,129
Grants & contributions not restricted to specific programs	110,000	638,600	-	-	110,000	638,600
Other	394,186	902,276	1,261,305	1,066,453	1,655,491	1,968,729
Total revenues	11,991,873	13,027,334	13,972,829	14,456,802	25,964,702	27,484,136
Expenses:						
General government	2,043,475	2,047,039	-	-	2,043,475	2,047,039
Public safety	6,046,707	5,904,878	-	-	6,046,707	5,904,878
Transportation	1,928,695	1,582,437	-	-	1,928,695	1,582,437
Parks & drainage	799,405	515,024	-	-	799,405	515,024
Environmental	-	-	-	-	-	-
Economic development	342,472	239,525	-	-	342,472	239,525
Culture and recreation	197,333	220,864	-	-	197,333	220,864
Interest on long-term debt	232,634	186,416	-	-	232,634	186,416
Water and sewer			12,040,335	10,498,295	12,040,335	10,498,295
Solid Waste			671,189	965,119	671,189	965,119
Total expenses	11,590,721	10,696,183	12,711,524	11,463,414	24,302,245	22,159,597
Inc. in net assets before transfers	401,152	2,331,151	1,261,305	2,993,388	1,662,457	5,324,539
Transfers	(392,937)	(641,670)	392,937	641,670		
Increase in net assets	8,215	1,689,481	1,654,242	3,635,058	1,662,457	5,324,539
Net assets, July 1	25,256,088	23,566,607	64,108,273	60,473,215	89,364,361	84,039,822
Net assets, June 30	$ 25,264,303	$ 25,256,088	$ 65,762,515	$ 64,108,273	$ 91,026,818	$ 89,364,361

Governmental Activities. Governmental activities increased Hendersonville's net assets by $8,215 thereby accounting for .49% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Other taxes and licenses revenues increased $7,725.
- Tax revenues decreased only a slight amount despite the financial and economic maelstrom of the past two years.
- Parking revenues increased due to an increase in monthly parking rental fees.
- Vendor permit revenue increased $2,434

Business-type Activities: Business-type activities increased the City's net assets by $1,662,457 accounting for 99.51% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase due to an increase in operating revenues associated with a water and sewer fee rate adjustment.
- Contribution from the General Fund for sewer improvements due to annexation.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Hendersonville. At the end of the current fiscal year, unreserved fund balance of the General Fund was $6,128,738, while total fund balance reached $8,834,663. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 69.4 percent of total General Fund expenditures. Fund balance increased due to an increase in revenues over expenditures as detailed in the next paragraph.

At June 30, 2009, the governmental funds of the City of Hendersonville reported a combined fund balance of $12,089,821, an 11.8% increase over last year. Included in this change in fund balance are increases in fund balance of both the General Fund and Non-Major Funds. The increase in the General Fund was due to a decrease in operating expenditures across all departments. This decrease was attributable to a mid-year budget reduction sanctioned by the City Manager. The budget reduction was necessitated due to a decrease in revenues caused by the economic recession. This financial downturn caused property tax collections, sales tax distributions and interest income to be significantly lower than the prior year. The Capital Reserved Fund decreased due to a transfer to the General Fund for capital projects.

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 significantly less than the prior year due to an overall decrease in departmental spending caused by negative economic factors. During the year there was a decrease in appropriations between the original and final amended budget. Following are the main components of the decrease:

- $209,047 reduction in departmental budgets due to the economic recession.

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 $21,910,588, and those for the Solid Waste Fund amounted to $571,254. The total change in net assets for both funds was $1,707,538 and ($53,296) 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, 2009, totals $80,804,738 (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 $4,993,062. Equipment acquisition accounted for 17% of the total outlay.
- Street paving, road repair and sidewalk maintenance totaled $174,366.
- Replaced nine Police Department vehicles for a total cost of $234,154.
- Acquisition equipment for Public Works totaling $230,227.

City of Hendersonville's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 2,143,940	$ 2,182,445	$ 952,804	$ 952,804	$ 3,096,744	$ 3,135,249
Buildings and systems	5,895,151	6,165,621	16,976,421	17,758,635	22,871,572	23,924,256
Improvements other than buildings	1,426,948	701,904	27,014,686	23,032,636	28,441,634	23,734,540
Machinery and equipment	517,313	407,083	177,055	243,399	694,368	650,482
Infrastructure	7,140,079	7,341,413	-	-	7,140,079	7,341,413
Vehicles and motorized equipment	1,740,601	1,726,600	632,050	688,883	2,372,651	2,415,483
Construction in progress	-	-	16,187,690	5,946,394	16,187,690	5,946,394
Total	$ 18,864,032	$ 18,525,066	$ 61,940,706	$ 48,622,751	$ 80,804,738	$ 67,147,817

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, 2009, Hendersonville had total bonded debt outstanding of $3,430,000. Of this, $2,910,000 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	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	$ 2,910,000	$ 900,000	$ 520,000	$ 790,000	$ 3,430,000	$ 1,690,000
Total	$ 2,910,000	$ 900,000	$ 520,000	$ 790,000	$ 3,430,000	$ 1,690,000

The City of Hendersonville's total debt decreased by $116,094 or 0.49% during the past fiscal year, primarily due to the fact that the new debt of $2.1 million for sidewalk bonds that was added was offset by principal payments of $2,230,385 and a defeasance loss of $14,292 for Fiscal Year 2008-09.

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 $114,211,024. The City issued $2,100,000 of Sidewalk Improvement Bonds on August 26, 2008.

In the past the City refinanced $1,955,929 of installment purchase financing debt with BB&T Government Finance to take advantage of historically low interest rates. For the fiscal year ended June 30, 2009, 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 47-48 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 9.4% was below the State average of 11.0% as of June 30, 2009.
- 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, 2010

Governmental Activities: Property taxes were budgeted conservatively at a 3.3 percent increase based upon estimates provided to the City by the Henderson County tax assessor. Sales and Use tax revenue is expected to increase in budgeted revenue by about 1.0 percent. This is due to the County changing the sales and use tax distribution method from per capita to ad valorem and an economy trying to come out of a recession. Overall, budgeted revenues are estimated to be about the same as the prior year.

Budgeted expenditures in the General Fund are expected to decline 0.7 percent, which represents an overall decrease of $83,690. 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 a modest 5% increase. Total water and sewer appropriations will decrease by 23.7% with the majority of the decrease being attributable to fewer funds budgeted for capital outlay. Total operating costs will decrease 6.2 percent due to a decrease in the amount of funds budgeted for utilities and contracted services. Personnel costs increased approximately 2.7%.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Post Office Box 1670, Hendersonville, North Carolina 28793. *File: MSWORD Blank_MDA_City2009.1*

THE CITY OF HENDERSONVILLE · N.C.
1847

BASIC FINANCIAL STATEMENTS

THE CITY OF HENDERSONVILLE · N.C.
1847

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	$ 8,667,529	$ 20,478,230	$ 29,145,759	$ 881,391
Investments	1,042,171	2,842,788	3,884,959	
Receivables (net)				
Taxes	324,747		324,747	
Accounts	39,798	1,290,270	1,330,068	511
Grants		292,577	292,577	
Shared taxes	616,352		616,352	
Refundable taxes	63,262	221,208	284,470	
Due from component unit	25,000		25,000	
Inventories		430,447	430,447	506,317
Restricted cash and cash equivalents	2,022,321		2,022,321	
Total current assets	$ 12,801,180	$ 25,555,520	$ 38,356,700	$ 1,388,219
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	$ 2,143,940	$ 17,140,494	$ 19,284,434	$ 263,794
Other capital assets, net of depreciation	16,720,092	44,800,212	61,520,304	534,952
Total capital assets	$ 18,864,032	$ 61,940,706	$ 80,804,738	$ 798,746
Total assets	$ 31,665,212	$ 87,496,226	$ 119,161,438	$ 2,186,965
Liabilities:				
Current liabilities:				
Accounts payable	$ 180,081	$ 1,357,955	$ 1,538,036	$ 235,270
Salaries payable	204,144	117,454	321,598	
Unearned revenue	2,388		2,388	
Customer deposits		152,725	152,725	
Accrued interest payable	52,938	144,536	197,474	
Due to primary government				40,000
Current portion of long-term liabilities	503,333	1,961,219	2,464,552	
Retainages payable on construction projects		1,003,485	1,003,485	
Total current liabilities	$ 942,884	$ 4,737,374	$ 5,680,258	$ 275,270
Long-term liabilities due in more than one year	$ 5,458,025	$ 16,996,337	$ 22,454,362	
Total liabilities	$ 6,400,909	$ 21,733,711	$ 28,134,620	$ 275,270
Net assets:				
Invested in capital assets, net of related debt	$ 13,737,365	$ 43,280,673	$ 57,018,038	$ 798,746
Restricted for:				
Transportation	277,209		277,209	
Capital improvements				30,629
Working capital				146,665
Unrestricted	11,249,729	22,481,842	33,731,571	935,655
Total net assets	$ 25,264,303	$ 65,762,515	$ 91,026,818	$ 1,911,695

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, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 2,043,475			
Public safety	6,046,707	$ 154,633	$ 28,109	$ 40,672
Transportation	1,928,695	72,426	394,746	105,000
Parks and drainage	799,405	17,850	89,053	
Economic and physical development	342,472			
Cultural and recreational	197,333	145,221		69,326
Interest on long-term debt	232,634			
Total governmental activities (Note 1)	$ 11,590,721	$ 390,130	$ 511,908	$ 214,998
Business-type activities:				
Water and Sewer	$ 11,243,016	$ 12,040,335		$ 292,577
Solid Waste	1,016,654	671,189		
Total business-type activities	$ 12,259,670	$ 12,711,524		
Total primary government	$ 23,850,391	$ 13,101,654	$ 511,908	$ 214,998
Component Unit:				
ABC Board	$ 3,849,139	$ 3,841,853		
Total component unit	$ 3,849,139	$ 3,841,853		

General revenues:

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

Change in net assets

Net assets - beginning, July 1

Net assets - ending, June 30

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit 2

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit ABC Board
	$ (2,043,475)		$ (2,043,475)	
	(5,823,293)		(5,823,293)	
	(1,356,523)		(1,356,523)	
	(692,502)		(692,502)	
	(342,472)		(342,472)	
	17,214		17,214	
	(232,634)		(232,634)	
	$ (10,473,685)		$ (10,473,685)	
		$ 1,089,896	$ 1,089,896	
		(345,465)	(345,465)	
		$ 744,431	$ 744,431	
	$ (10,473,685)	$ 744,431	$ (9,729,254)	
				$ (7,286)
				$ (7,286)
	$ 6,827,965		$ 6,827,965	
	3,542,686		3,542,686	
	110,000		110,000	
	259,049	$ 487,235	746,284	$ 17,255
	135,137	29,639	164,776	
	(392,937)	392,937	0	
	$ 8,215	$ 1,654,242	$ 1,662,457	9,969
	25,256,088	64,108,273	89,364,361	1,901,726
	$ 25,264,303	$ 65,762,515	$ 91,026,818	$ 1,911,695

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Major Funds			
	General Fund	Capital Reserve Fund	Total Non-Major Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 7,791,044	$ 641,941	$ 234,544	$ 8,667,529
Investments		1,042,171		1,042,171
Restricted cash and cash equivalents			2,022,321	2,022,321
Receivables (net)				
Taxes	306,588		18,159	324,747
Accounts	39,748		50	39,798
Shared taxes	616,352			616,352
Refundable taxes	54,398		8,864	63,262
Interfund balances	1,533			1,533
Due from component unit	25,000			25,000
Total assets	$ 8,834,663	$ 1,684,112	$ 2,283,938	$ 12,802,713
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ 168,645		$ 11,436	$ 180,081
Salaries payable	204,144			204,144
Interfund balances			1,533	1,533
Deferred revenues	308,976		18,159	327,135
Total liabilities	$ 681,765		$ 31,128	$ 712,893
Fund balances:				
Reserved by State statute	$ 737,031		$ 8,914	$ 745,945
Reserved for streets-Powell Bill	277,209			277,209
Unreserved, designated subsequent year's budget	1,009,920			1,009,920
Special Revenue funds		$ 351,070	27,300	378,370
Unreserved	6,128,738			6,128,738
Unreserved, reported in:				
Special Revenue funds		1,333,042	194,489	1,527,531
Capital Projects Fund			2,022,107	2,022,107
Total fund balances	$ 8,152,898	$ 1,684,112	$ 2,252,810	$ 12,089,820
Total liabilities and fund balances	$ 8,834,663	$ 1,684,112	$ 2,283,938	$ 12,802,713

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

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	$ 18,864,032
Adjusting items:	
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	$ 324,747
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(52,938)
Bonds payable	(2,910,000)
Notes payable	(2,216,666)
Compensated absences payable	(432,116)
Other post-employment benefits	(105,086)
Net pension benefit-Special Separation Allowance	(297,489)
Total adjusting items	$ 13,174,484
Total fund balances	12,089,820
Net assets of governmental activities	$ 25,264,303

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, 2009

	Major Funds			
	General Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	$ 6,431,603		$ 242,957	$ 6,674,560
Other taxes and licenses	88,077			88,077
Unrestricted intergovernmental	3,476,751		103,200	3,579,951
Restricted intergovernmental	509,680		234,725	744,405
Permits and fees	18,252			18,252
Sales and services	237,772			237,772
Investment earnings	164,320	$ 64,410	30,319	259,049
Miscellaneous	169,119		121,586	290,705
Total revenues	$ 11,095,574	$ 64,410	$ 732,787	$ 11,892,771
Expenditures:				
General government	$ 1,946,835			$ 1,946,835
Public safety	5,879,051		$ 40,672	5,919,723
Transportation	1,570,766		260,007	1,830,773
Parks and drainage	515,269		134,137	649,406
Economic and physical development			390,748	390,748
Cultural and recreational	323,941		579,490	903,431
Debt service:				
Principal	323,333			323,333
Interest and fees	207,856			207,856
Total expenditures	$ 10,767,051	$ 0	$ 1,405,054	$ 12,172,105
Revenues over (under) expenditures	$ 328,523	$ 64,410	$ (672,267)	$ (279,334)
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	$ (392,937)			$ (392,937)
General Fund / Capital Reserve Fund	552,760	$ (552,760)		
Proceeds of general obligation bonds			$ 2,100,000	2,100,000
General Fund / Special Revenue Fund	(259,558)		259,558	
Total other financing sources (uses)	$ (99,735)	$ (552,760)	$ 2,359,558	$ 1,707,063
Net change in fund balances	$ 228,788	$ (488,350)	$ 1,687,291	$ 1,427,729
Fund balances:				
Beginning of year, July 1	7,924,110	2,172,462	565,520	10,662,092
End of year, June 30	$ 8,152,898	$ 1,684,112	$ 2,252,811	$ 12,089,821

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, 2009

Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures	$ 1,563,982
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	(1,170,713)
The amount by which capital outlays exceeded depreciation in the current period was	$ 393,269
The net effect of various miscellaneous transactions involving capital assets(i.e. sales, trade-ins, and disposals) is to decrease net assets	$ (54,304)
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	$ 153,405
The issuance of long-term debt provides current financial resources for governmental funds, but has no effect on net assets. This is the amount provided by the issuance of long-term debt.	$ (2,100,000)
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.	$ 323,333
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	$ (24,777)
Change in compensated absences	1,303
Change in other post-employment benefits	(105,086)
Change in net pension obligation	(6,657)
	$ (135,217)
Total adjusting items	$ (1,419,514)
Net changes in fund balances - total governmental funds	1,427,729
Total changes in net assets of governmental activities	$ 8,215

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, 2009

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	$ 6,468,000	$ 6,468,000	$ 6,431,603	$ (36,397)
Other taxes and licenses	71,000	71,000	88,077	17,077
Unrestricted intergovernmental	3,330,490	3,330,490	3,476,751	146,261
Restricted intergovernmental	477,520	477,520	509,680	32,160
Permits and fees	17,600	17,600	18,252	652
Sales and services	154,500	154,500	237,772	83,272
Investment earnings	225,000	225,000	164,320	(60,680)
Miscellaneous	28,850	76,450	169,119	92,669
Total revenues	$ 10,772,960	$ 10,820,560	$ 11,095,574	$ 275,014
Expenditures:				
General government	$ 2,198,330	$ 2,179,330	$ 1,946,835	$ 232,495
Public safety	5,968,450	5,953,280	5,879,051	74,229
Transportation	1,596,750	1,557,350	1,570,766	(13,416)
Parks and drainage	658,260	522,783	515,269	7,514
Cultural and recreational	324,080	324,080	323,941	139
Debt service:				
Principal	428,350	428,350	323,333	105,017
Interest and fees	288,890	288,890	207,856	81,034
Total expenditures	$ 11,463,110	$ 11,254,063	$ 10,767,051	$ 487,012
Revenues over (under) expenditures	$ (690,150)	$ (433,503)	$ 328,523	$ 762,026
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	$ (601,550)	$ (394,550)	$ (392,937)	$ 1,613
Capital Reserve Fund (net)	552,760	552,760	552,760	
General Fund (net)				
Nonmajor special revenue funds (net)	21,080	(259,567)	(259,558)	9
Contingencies budgeted (expenditures)	(150,000)	(150,000)		150,000
Fund balance appropriated	867,860	684,860		(684,860)
Total other financing sources (uses)	$ 690,150	$ 433,503	$ (99,735)	$ (533,238)
Revenues and other financing sources over (under) expenditures and other uses	$ 0	$ 0	$ 228,788	$ 228,788
Fund balances:				
Beginning of year, July 1			7,924,110	
End of year, June 30			$ 8,152,898	

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, 2009

Exhibit 5

	Special Revenue Fund - Capital Reserve Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
	$ 49,800	$ 49,800	$ 64,410	$ 14,610
	$ 49,800	$ 49,800	$ 64,410	$ 14,610
	$ 49,800	$ 49,800	$ 64,410	$ 14,610
	$ (552,760)	$ (552,760)	$ (552,760)	
	502,960	502,960		$ (502,960)
	$ (49,800)	$ (49,800)	$ (552,760)	$ (502,960)
	$ 0	$ 0	$ (488,350)	$ (488,350)
			2,172,462	
			$ 1,684,112	

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

Exhibit 6

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 547,715	$ 19,930,515	$ 20,478,230
Investments		2,842,788	2,842,788
Accounts receivable (net)	79,435	1,210,835	1,290,270
Sales taxes refundable	2,499	218,709	221,208
Grants receivable		292,577	292,577
Inventories		430,447	430,447
Restricted cash and cash equivalents			0
Total current assets	$ 629,649	$ 24,925,871	$ 25,555,520
Noncurrent assets:			
Land and other non-depreciable assets		$ 17,140,494	$ 17,140,494
Other capital assets, net of depreciation	$ 141,767	44,658,445	44,800,212
Capital assets (net)	$ 141,767	$ 61,798,939	$ 61,940,706
Total noncurrent assets	$ 141,767	$ 61,798,939	$ 61,940,706
Total Assets	$ 771,416	$ 86,724,810	$ 87,496,226
LIABILITIES			
Current liabilities:			
Accounts payable	$ 22,815	$ 1,335,140	$ 1,357,955
Salaries payable	11,848	105,606	117,454
Customer deposits		152,725	152,725
Accrued bond and note interest		144,536	144,536
Compensated absences-current	6,000	56,000	62,000
Bonds payable-current (net)		250,708	250,708
Notes payable -current		1,648,511	1,648,511
Construction retainages payable		1,003,485	1,003,485
Total current liabilities	$ 40,663	$ 4,696,711	$ 4,737,374
Noncurrent liabilities:			
Compensated absences	$ 13,314	$ 129,199	$ 142,513
Other postemployment benefits	4,418	88,592	93,010
Bonds payable (net)		16,505,814	16,505,814
Notes payable		255,000	255,000
Total noncurrent liabilities	$ 17,732	$ 16,978,605	$ 16,996,337
Total Liabilities	$ 58,395	$ 21,675,316	$ 21,733,711
NET ASSETS			
Invested in capital assets, net of related debt	$ 141,767	$ 43,138,906	$ 43,280,673
Unrestricted	571,254	21,910,588	22,481,842
Total Net Assets	$ 713,021	$ 65,049,494	$ 65,762,515

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, 2009

Exhibit 7

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	$ 671,189	$ 11,597,064	$ 12,268,253
Other operating revenues		443,271	443,271
Total operating revenues	$ 671,189	$ 12,040,335	$ 12,711,524
Operating expenses:			
Administration		$ 751,147	$ 751,147
Business operations		910,568	910,568
Water treatment and distribution		4,982,765	4,982,765
Waste collection and treatment	$ 984,836	1,911,024	2,895,860
Depreciation	31,278	1,955,632	1,986,910
Total operating expenses	$ 1,016,114	$ 10,511,136	$ 11,527,250
Operating income (loss)	$ (344,925)	$ 1,529,199	$ 1,184,274
Non-operating revenues (expenses):			
Interest earned on investments	$ 112	$ 487,123	$ 487,235
Capital grants		292,577	292,577
Other		29,639	29,639
Interest on long-term debt	(540)	(731,880)	(732,420)
Total non-operating revenues (net)	$ (428)	$ 77,459	$ 77,031
Income (loss) before contributions and transfers:	$ (345,353)	$ 1,606,658	$ 1,261,305
Transfer from General Fund	292,057	100,880	392,937
Change in net assets	$ (53,296)	$ 1,707,538	$ 1,654,242
Total net assets - beginning, July 1	766,317	63,341,956	64,108,273
Total net assets - ending, June 30	$ 713,021	$ 65,049,494	$ 65,762,515

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, 2009

	Business Type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 661,454	$ 11,787,008	$ 12,448,462
Cash paid for goods and services	(525,143)	(4,310,666)	(4,835,809)
Cash paid to employees for services	(421,390)	(3,975,542)	(4,396,932)
Customer deposits received		80,700	80,700
Customer deposits returned		(77,000)	(77,000)
Other operating revenue		443,271	443,271
Net cash provided (used) by operating activities	$ (285,079)	$ 3,947,771	$ 3,662,692
Cash flows from noncapital and financing related activity:			
Operating subsidy-General Fund	$ 292,057	$ 100,880	392,937
Net cash provided by noncapital and related financing activity	$ 292,057	$ 100,880	$ 392,937
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		$ (13,955,200)	$ (13,955,200)
Principal paid on bonds		(270,000)	(270,000)
Principal paid on notes	$ (22,077)	(1,614,975)	(1,637,052)
Interest on bonds and notes	(540)	(731,880)	(732,420)
Net cash provided (used) by capital and related financing activities	$ (22,617)	$ (16,572,055)	$ (16,594,672)
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		$ 4,050,000	$ 4,050,000
Purchases of investments		(989,260)	(989,260)
Interest on investments	$ 111	487,125	487,236
Net cash provided by investing activities	$ 111	$ 3,547,865	$ 3,547,976
Net increase / (decrease) in cash and cash equivalents	$ (15,528)	$ (8,975,539)	$ (8,991,067)
Cash and cash equivalents:			
Balances - beginning of year	563,243	28,906,054	29,469,297
Balances - end of year	$ 547,715	$ 19,930,515	$ 20,478,230

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, 2009

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)	$ (344,925)	$ 1,529,199	$ 1,184,274
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	$ 31,278	$ 1,955,632	$ 1,986,910
Amortization of bond refunding premium		14,272	14,272
Book value of disposed equipment	31,370	8,630	40,000
Increase (decrease) in allowance for uncollectible accounts	6,781	8,323	15,104
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(19,919)	108,460	88,541
Refundable taxes receivable	381	(48,279)	(47,898)
Inventory		117,680	117,680
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	1,557	128,706	130,263
Salaries payable	4,376	22,715	27,091
Customer deposits		3,700	3,700
Accrued interest on bonds and notes		(14,080)	(14,080)
Compensated absences payable	(396)	24,221	23,825
Other postemployment benefits	4,418	88,592	93,010
Total adjustments	$ 59,846	$ 2,418,572	$ 2,478,418
Net cash provided (used) by operating activities	$ (285,079)	$ 3,947,771	$ 3,662,692

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, 2009

Exhibit 9

	June 30, 2009
ASSETS	
Cash	$ 100
LIABILITIES	
Intergovernmental payable - Henderson County Board of Public Education	$ 100

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

NOTES TO FINANCIAL STATEMENTS

THE CITY OF HENDERSONVILLE · N.C.
1847

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.

Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

Capital Reserve Fund - The Capital Reserve Fund was established to accumulate resources for future equipment purchases and capital improvements. The Capital Reserve Fund is a special revenue fund and adopts an annual budget.

The City reports the following nonmajor governmental funds:

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

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.

2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.

3. Oklawaha Greenway Phase II Grant Fund was established to administer a state grant to extend existing pedestrian walkways and bicycle paths. To date, only the required local matching funds have been received. This was in the form of a transfer from the General Fund.

4. 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.

5. Wash Creek Stream Restoration Project Grant Fund was established to administer a state grant to repair erosion damage to a local creek.

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. This fund was opened during the current year.

2. Skateboard Park Construction Project Fund was established to account for the construction of a skateboard park facility at a city park, which received contributions from The City, the ABC Board, and private citizens. Construction was completed and the fund was closed during the current year.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City of Hendersonville has two major Enterprise Funds: (1) the Solid Waste Fund and (2) the Water and Sewer Fund. Debt service and long-term obligations of these funds are recorded within the respective funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

Government-wide and Proprietary Fund Financial Statements:

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

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, 2008 through February, 2009 apply to the fiscal year ended June 30, 2009.

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 2009-2010 fiscal year and are not shown as receivables at June 30, 2009. 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, 2009, because they are intended to finance the City's operations during the 2009-2010 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.

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, 2008. 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, 2009, 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.

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.

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.

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:

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

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

	Useful Life
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.

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.

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2009-2010 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, 2009, the City's deposits had a carrying amount of $3,570,563 and a bank balance of $3,887,685. At June 30, 2009 the City's petty cash fund totaled $2,575.

Of the bank balance at June 30, 2009, $1,082,811 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 $2,804,874 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, 2009, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2009, the ABC Board's deposits had a carrying amount of $876,691 and a bank balance of $867,092. Federal Depository Insurance covered $250,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

As of June 30, 2009, the City had the following investments and maturities:

	Fair Value	Less than 6 months	6-12 months
US Government Agencies	$ 3,884,959	$ 996,421	$ 2.888.538
NC Capital Management Trust -Cash Portfolio	27,595,042	0	0
Totals	$ 31,480,001	$ 996,421	$ 2,888,538

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

Credit Risk: The City does not have a formal policy regarding credit risk. The investments in the U.S. Government Agency securities are rated AAA by Standard & Poor's, and AAA by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2009.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer. The U.S. Government Agency obligations are distributed among Federal Home Loan Bank (43%) FHLMC (11%) and FNMA (46%.)

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	$ 127,521
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	$ 4,290
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	$ 192
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	$ 47,931
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	$ 48,305

Deferred / Unearned Revenues:

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

	Deferred Revenue	Unearned Revenue
Taxes receivable (General Fund)	$ 306,588	$ 2,388
Taxes receivable (Special Revenue Funds)	18,159	0
Totals	$ 324,747	$ 2,388

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2009 was as follows:

Governmental activities:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	$ 2,143,940			$ 2,143,940
Construction	38,505		$ 38,505	-
Total	$ 2,182,445	$ -	$ 38,505	$ 2,143,940
Capital assets being depreciated:				
Buildings	$ 7,947,551	$ 22,094	$ 17,185	$ 7,952,460
Other improvements	2,523,986	843,259		3,367,245
Equipment	1,299,432	211,448	289,022	1,221,858
Vehicles	3,580,866	265,679	205,297	3,641,248
Infrastructure	10,639,460	260,007		10,899,467
Totals	$ 25,991,295	$ 1,602,487	$ 511,504	$ 27,082,278
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	$ 1,781,930	$ 287,695	$ 12,316	$ 2,057,309
Other improvements	1,822,082	118,215		1,940,297
Equipment	892,349	74,885	262,689	704,545
Vehicles	1,854,266	228,577	182,196	1,900,647
Infrastructure	3,298,047	461,341		3,759,388
Totals	$ 9,648,674	$ 1,170,713	$ 457,201	$ 10,362,186
Assets being depreciated, net	$ 16,342,621	$ 431,774	$ 54,303	$ 16,720,092
Governmental-type capital assets, net	$ 18,525,066			$ 18,864,032

General Government	$ 128,253
Public Safety	341,492
Transportation	565,217
Parks	135,751
Total depreciation expense	$ 1,170,713

Business-type activities:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Solid Waste Fund:				
Capital assets being depreciated:				
Vehicles	$ 652,298	$ -	$ 80,780	$ 571,518
Less accumulated depreciation for:				
Vehicles	$ 447,883	$ 31,278	$ 49,410	$ 429,751
Solid Waste Fund:				
Capital assets, net	$ 204,415			$ 141,767
Water & Sewer Fund:				
Land	$ 952,804			$ 952,804
Construction	5,946,394	$ 10,351,804	$ 110,508	16,187,690
Total	$ 6,899,198	$ 10,351,804	$ 110,508	$ 17,140,494
Capital assets being depreciated:				
Buildings	$ 1,652,739			$ 1,652,739
Treatment facilities	22,839,660			22,839,660
Lines and related equipment	29,414,164	$ 4,193,617		33,607,781
Equipment	889,256	17,100	$ 73,815	832,541
Vehicles	1,378,372	153,264	200,464	1,331,172
Tanks and reservoirs	4,518,699	774,952		5,293,651
Totals	$ 60,692,890	$ 5,138,933	$ 274,279	$ 65,557,544
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	$ 370,284	$ 55,091		$ 425,375
Treatment facilities	6,363,480	727,123		7,090,603
Lines and related equipment	9,477,083	774,565		10,251,648
Equipment	645,857	48,081	$ 38,452	655,486
Vehicles	893,904	138,818	191,833	840,889
Tanks and reservoirs	1,423,144	211,954	-	1,635,098
Totals	$ 19,173,752	$ 1,955,632	$ 191,833	$ 20,899,099
Assets being depreciated, net	$ 41,519,138	$ 3,183,301	$ 82,446	$ 44,658,445
Water & Sewer Fund capital assets, net	$ 48,418,336			$ 61,798,939
Business-type capital assets, net	$ 48,622,751			$ 61,940,706

Capital asset activity for the ABC Board for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	$ 263,794			$ 263,794
Capital assets being depreciated:				
Buildings	$ 600,554			$ 600,554
Real estate improvements	204,960			204,960
Furniture and equipment	129,995	$ 3,250		133,245
Vehicles	26,646			26,646
Computer equipment & software	31,618	10,599	$ 4,699	37,518
Totals	$ 993,773	$ 13,849	$ 4,699	$ 1,002,923
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	$ 260,526	$ 15,314		$ 275,840
Real estate improvements	43,383	7,507		50,890
Furniture and equipment	87,352	4,456		91,808
Vehicles	25,314	1,332		26,646
Computer equipment & software	17,025	10,461	$ 4,699	22,787
Totals	$ 433,600	$ 39,070	$ 4,699	$ 467,971
Assets being depreciated, net	$ 560,173	$ (25,221)	$ -	$ 534,952
ABC Board capital assets, net	$ 823,967			$ 798,746

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:

	2009	2008	2007
City	$415,052	$386,388	$363,511
ABC Board	$ 46,087	$ 43,255	$ 41,756

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description:

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

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

Funding Policy:

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other City employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were $213,202, which consisted of $88,535 from the City and $124,667 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, 2008 the system's membership consisted of:

Retirees receiving benefits	3
Active plan members	40
Total	43

Summary of Significant Accounting Policies:

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

Method Used to Value Investments:
No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions:

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

Annual Pension Cost and Net Pension Obligation:

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

Annual required contribution	$ 58,845
Interest on net pension obligation	21,085
Adjustment to annual required contribution	(17,781)
Annual pension cost	$ 62,149
Contributions made	(55,492)
Increase in net pension obligation	$ 6,657
Net pension obligation beginning of year	290,832
Net pension obligation end of year	$ 297,489

Summary

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$54,690	23.39%	$272,167
6/30/2008	$58,110	67.88%	$290,832
6/30/2009	$62,149	89.29%	$297,489

Actuarial Information:	
Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%

Firemen's and Rescue Squad Workers Pension Plan

Plan Description:

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

Funding Policy:

Plan members are required to contribute $10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. During the current year, the City recognized revenue and expenditure of $1,907 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.

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.

As of year end, there are fifty (50) employees eligible for the death benefit with the total liability equal to $250,000. The City paid out $5,000 in fiscal year 2008-2009. 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, 2007, the date of the latest actuarial valuation.

	General Employees	Law Enforcement
Retirees and dependents receiving benefits	16	2
Terminated plan members entitled to but not yet receiving benefits	1	
Active plan members	161	38
Totals	178	40

Funding Policy:

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The City's members 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 4.52% of annual covered payroll. For the current year, the City contributed $138,848 or 1.85% 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 1.64 and 0.22% 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.

Annual required contribution	$ 336,444
Interest on OPEB obligation	0
Adjustment to annual required contribution	(0)
Annual OPEB cost	$ 336,444
Contributions made	(138,438)
Increase in net OPEB obligation	$ 198,096
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	$ 198,096

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
6/30/2009	$336,444	41.12%	$198,096

Funding Status and Funding Progress:

As of December 31, 2007, 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 $4,559,164. The covered payroll (annual payroll of active employees covered by the plan) was $7,446,974, and the ratio of the UAAL to the covered payroll was 61.22 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.

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, 2007
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	11% to 5%
Includes inflation at	3.75%

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, 2009 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:	
1998 Sidewalk Construction Bonds: Interest due each May 1 and November 1 at rates from 4.75% to 5.0% $90,000 principal due each May 1	$ 810,000
2008 Sidewalk Construction Bonds: Interest due each March 1 and September 1 at rates from 3.5% to 4.3% $90,000 principal due each May 1	2,100,000

Varying amounts of principal due each March 1, beginning in March 2010 with $50,000		
1998 Water and Sewer Refunding Bonds: Interest due each May 1 and November 1 at rates from 4.0% to 4.5% Varying amounts of principal due each May 1	$520,000	
Less defeasance loss (net of amortization)	(14,292)	505,708
Total General Obligation Bonds		$3,415,708

Notes Payable

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

Governmental Debt *Serviced by the General Fund*	
Bank of America City Hall Renovation loan Principal payment of $116,667 and interest at 4.1% due each April 14 and October 14	$ 2,216,666
Enterprise Debt *Serviced by the Water & Sewer Fund*	
BB & T Highway Water Plant Expansion Loan Fixed payment of $608,680 due each March 19 and September 19 including principal and interest at 3.9%	8,734,786
State of North Carolina Revolving Loan Fund Clean Water Bonds Interest due each May 1 and November 1 at 3.43% Principal of $100,880 due each May 1	807,040
State of North Carolina Revolving Loan Fund Clean Water Bonds Wastewater Treatment Plant Expansion Interest due each May 1 and November 1 at 2.91% Principal of $662,500 due each May 1	8,612,500
Total Notes Payable	$20,370,992

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, 2009, 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 $171,892 is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2010, the remaining life of the old debt, which is shorter than the life of the new debt, using the straight-line method. The bond issuance costs associated with the advance refunding were expensed during the current period, because they were not considered to be material. The City completed the advance refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $261,964.

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

	Governmental Activities		Business-type Activities	
Year Ended June 30,	Principal	Interest	Principal	Interest
2010	$ 373,333	$ 212,142	$ 1,913,511	$ 633,816
2011	373,334	196,415	1,938,367	564,295
2012	423,333	180,688	1,719,597	493,852
2013	423,333	163,212	1,757,253	433,457
2014	423,334	145,485	1,796,392	371,579
2015-2019	1,959,999	459,124	7,561,706	912,898
Thereafter	1,150,000	208,550	1,987,500	115,673
Totals	$ 5,126,666	$ 1,565,616	$ 18,674,326	$ 3,525,570

Changes in long-term liabilities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
General obligation bonds	$ 900,000	$ 2,100,000	$ 90,000	$ 2,910,000	$ 140,000
Notes payable	2,450,000		233,334	2,216,666	233,333
Compensated absences	433,419	367,465	368,768	432,116	130,000
Other postemployment benefits	-	105,086		105,086	-
Net pension obligation	290,832	6,657		297,489	-
Governmental activity long-term liabilities	$ 4,074,251	$ 2,579,208	$ 692,102	$ 5,961,357	$ 503,333
Business-type activities:					
General obligation bonds	$ 790,000		$ 270,000	$ 520,000	$ 265,000
Less deferred amount for loss on defeasance	(28,584)		(14,292)	(14,292)	(14,292)
Total bonds, net	$ 761,416		$ 255,708	$ 505,708	$ 250,708
Notes payable	19,791,378		1,637,052	18,154,326	1,648,511
Compensated absences	180,689	$ 163,445	139,621	204,513	55,000
Other postemployment benefits	-	93,010	-	93,010	-
Business-type activities long-term liabilities	$ 20,733,483	$ 256,455	$ 2,032,381	$ 18,957,557	$ 1,954,219

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, 2009, was $114,211,024. 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, 2009, 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 $1,904.

Also, the City has recognized as a revenue and an expenditure $26,205 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, 2009. 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, 2009, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund-Governors Highway Safety Program Grant Fund	$1,533

Due to / from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Component Unit Hendersonville ABC Board	$ 25,000

Interfund transfers of the City of Hendersonville for the year ended June 30, 2009 consist of the following:

General Fund to Water and Sewer Fund $100,880
This transfer was to reimburse the Water and Sewer Fund for the principal 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 $292,057
This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

Capital Reserve Fund to General Fund $552,760
This transfer was to assist the General Fund in paying for certain City-wide capital improvements.

General Fund to Downtown Tax District Fund $110,677
This transfer was to assist the Downtown Tax District Fund in paying for certain capital improvements in the Central Business District.

Downtown Tax District Fund to General Fund $ 75,000
The method of receiving state sales and use tax was changed from the per capita method to the ad valorem method. The Downtown Tax Fund had already received a substantial transfer to assist in certain capital improvements. The transfer from the Downtown Tax District Fund to the General Fund was to recoup some of the earlier transfer, in view of the sales and use tax revenue now being directly remitted to the Downtown Tax District Fund.

General Fund to Seventh Avenue Tax District Fund $ 64,500
This transfer was to assist the Seventh Avenue Tax District Fund in paying for certain capital improvements in the district.

General Fund to Wash Creek Stream Restoration Project Grant Fund $ 45,084
This transfer was to satisfy local matching funds requirements for a State grant to repair erosion damage along a local creek.

General Fund to Skateboard Park Capital Project Fund $114,297
This transfer was to provide City funds to finish construction on a skateboard park facility at an existing City park.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Significant violations of finance-related Legal Provisions – Excess of expenditures over appropriations

For the fiscal year ended June 30, 2009, the SkateBoard Park Capital Projects Fund reported expenditures which exceeded its budget by $28,053. The Water and Sewer Fund reported expenditures which exceeded its appropriations by $2,475,953.

The expenditures went undetected because a software change permitted unliquidated purchase orders from the previous year to carry over into the current year, and to bring with them the amount of prior year encumbrance associated with the purchase order. In both the SkateBoard Park Capital Projects Fund and the Water and Sewer Fund, these unliquidated purchase orders related to construction projects which had been authorized and initiated in the previous year.

The situation led City management to believe that they were in compliance with the adopted budget, when in actuality, the budget appropriation amounts being reported by the City's accounting system had been increased by the software, without being detected.

The City's management has determined that a set up parameter in the purchase order module was the cause of the automatic budget adjustments. The situation has been corrected for the 2009-2010 fiscal year, and will be carefully monitored by the City's management.

IV. 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 $57 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 $50,000. 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 August 1, 2008, and ending August 1, 2009. It contains a stop loss provision with coverage and claims administration provided by Blue Cross and Blue Shield of North Carolina. The plan is funded by employer contributions and charges to the various funds of the City based on actual claims expense, and by employee contributions for dependent coverage.

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

C. RELATED ORGANIZATION:

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

D. LAWSUITS:

The City is currently not a defendant in any lawsuits. One pending claim involves the valuation of some property taken by eminent domain. The City does not expect the outcome to adversely affect the City's financial condition.

F. COMMITMENTS:

The City has active construction projects as of June 30, 2009. At yearend, the City's commitments with contractors was as follows:

PROJECT	SPENT-TO-DATE	REMAINING COMMITMENT
Water and sewer facilities:		
Water treatment plant expansion	$14,050,236	$ 5,849,764
Raw water intake	$ 175,087	$ 2,454,213

THE CITY OF HENDERSONVILLE · N.C.
1847

REQUIRED SUPPLEMENTAL INFORMATION

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

Exhibit A-1

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
1999	0	$174,873	$174,873	0	$918,898	19.03%
2000	0	$250,905	$250,905	0	$1,027,647	24.42%
2001	0	$285,018	$285,018	0	$1,156,941	24.64%
2002	0	$305,698	$305,698	0	$1,187,571	25.75%
2003	0	$357,165	$357,165	0	$1,321,573	27.03%
2004	0	$486,524	$486,524	0	$1,353,075	35.96%
2005	0	$471,245	$471,245	0	$1,475,522	31.94%
2006	0	$490,571	$490,571	0	$1,542,417	31.81%
2007	0	$574,165	$574,165	0	$1,611,635	35.63%
2008	0	$621,469	$621,469	0	$1,688,411	36.81%

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

Exhibit A-2

Fiscal Year June 30,	Annual Required Contribution	Percentage Contributed
2000	$25,624	84.39%
2001	$25,650	57.65%
2002	$30,988	47.72%
2003	$35,713	27.74%
2004	$38,473	11.14%
2005	$45,507	28.12%
2006	$55,000	23.27%
2007	$51,555	24.82%
2008	$55,102	71.59%
2009	$62,149	89.29%

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, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3 %
Includes inflation at	3.75 %

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 Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
2007	0	$4,559,164	$4,559,164	0	$7,446,974	61.22%

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

Exhibit A-4

Fiscal Year June 30,	Annual Required Contribution	Percentage Contributed
2009	$336,444	41.15%

Notes to the Required Schedules:

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

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.0%
Medical cost trend rate	11.0 % to 5.0 %
Includes inflation at	3.75 %

THE CITY OF HENDERSONVILLE · N.C.
1847

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.

THE CITY OF HENDERSONVILLE · NC
1847

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	2008 Actual
Revenues:					
Ad valorem taxes:					
Taxes	$ 6,443,000	$ 6,443,000	$ 6,399,272	$ (43,728)	$ 6,405,025
Penalties and interest	30,000	30,000	32,460	2,460	37,210
Refunds	(5,000)	(5,000)	(129)	4,871	(1,990)
Total	$ 6,468,000	$ 6,468,000	$ 6,431,603	$ (36,397)	$ 6,440,245
Other taxes and licenses:					
Beer and wine	$ 2,000	$ 2,000	$ 2,645	$ 645	$ 2,675
Local vehicle rental tax	6,000	6,000	8,330	2,330	7,313
Privilege licenses	63,000	63,000	77,102	14,102	70,364
Total	$ 71,000	$ 71,000	$ 88,077	$ 17,077	$ 80,352
Unrestricted intergovernmental:					
Local option sales taxes	$ 2,476,800	$ 2,476,800	$ 2,327,637	$ (149,163)	$ 2,821,079
Less rebated to Henderson County	(68,810)	(68,810)	(68,810)		(234,586)
Payments in lieu of taxes	17,000	17,000	17,846	846	17,846
Utility franchise tax	700,000	700,000	519,399	(180,601)	503,273
Video programming fee	75,000	75,000	131,408	56,408	127,173
Telecommunications sales tax			366,665	366,665	335,217
Beer and wine tax	48,000	48,000	57,264	9,264	57,575
ABC profit distribution	80,000	80,000	110,000	30,000	110,000
Court fees	2,500	2,500	15,342	12,842	6,081
Total	$ 3,330,490	$ 3,330,490	$ 3,476,751	$ 146,261	$ 3,743,658
Restricted intergovernmental:					
Powell Bill allocation	$ 380,000	$ 380,000	$ 394,746	$ 14,746	$ 436,661
D O T Right-of-Way reimbursement					7,450
Drug forfeitures					28,296
ABC law enforcement services	40,000	40,000	40,000		40,000
On-behalf-of payments:					
Firemen's Relief			28,109	28,109	32,900
School Resource Officer	57,520	57,520	46,825	(10,695)	43,088
Total	$ 477,520	$ 477,520	$ 509,680	$ 32,160	$ 588,395

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Permits and fees:					
Building permits and inspection fees	$ 17,600	$ 17,600	$ 18,252	$ 652	$ 31,310
Cable TV franchise (local)					4,200
Total	$ 17,600	$ 17,600	$ 18,252	$ 652	$ 35,510
Sales and services:					
Recreation department fees	$ 21,500	$ 21,500	$ 34,740	$ 13,240	$ 25,308
Patton Pool revenues	68,000	68,000	110,481	42,481	93,839
Parking revenues	50,000	50,000	72,426	22,426	70,791
Alarm fees	5,000	5,000	2,275	(2,725)	3,825
Cemetery lots	10,000	10,000	17,850	7,850	23,450
Total	$ 154,500	$ 154,500	$ 237,772	$ 83,272	$ 217,213
Investment earnings	$ 225,000	$ 225,000	$ 164,320	$ (60,680)	$ 717,518
Miscellaneous:					
Insurance proceeds		$ 47,600	$ 26,779	$ (20,821)	$ 23,102
Parking violations	$ 19,000	19,000	31,939	12,939	35,275
Sales of property	600	600	53,033	52,433	298
Other	9,250	9,250	57,368	48,118	22,655
Total	$ 28,850	$ 76,450	$ 169,119	$ 92,669	$ 81,330
Total revenues	$ 10,772,960	$ 10,820,560	$ 11,095,574	$ 275,014	$ 11,904,221

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Expenditures:					
General government:					
Governing body:					
Salaries and employee benefits	$ 68,570	$ 68,570	$ 56,768	$ 11,802	$ 58,869
Operating expenses	33,130	27,130	27,123	7	36,029
Dues and appropriations	289,150	321,150	182,945	138,205	153,803
Reimbursement-enterprise fund	(37,300)	(37,300)	(28,384)	(8,916)	(29,450)
Total	$ 353,550	$ 379,550	$ 238,452	$ 141,098	$ 219,251
Administration:					
Salaries and employee benefits	$ 286,380	$ 285,810	$ 278,659	$ 7,151	$ 364,512
Operating expenses	99,280	92,950	83,600	9,350	39,438
Reimbursement-enterprise fund	(144,980)	(146,580)	(143,699)	(2,881)	(180,297)
Total	$ 240,680	$ 232,180	$ 218,560	$ 13,620	$ 223,653
Finance:					
Salaries and employee benefits	$ 729,710	$ 742,090	$ 730,991	$ 11,099	$ 719,454
Operating expenses	76,250	71,600	66,256	5,344	63,853
Reimbursement-enterprise fund	(478,600)	(492,330)	(548,180)	55,850	(523,239)
Total	$ 327,360	$ 321,360	$ 249,067	$ 72,293	$ 260,068
City engineer:					
Salaries and employee benefits	$ 364,770	$ 361,820	$ 342,868	$ 18,952	$ 335,166
Operating expenses	23,950	19,950	10,592	9,358	18,522
Reimbursement-enterprise fund	(187,620)	(187,620)	(164,741)	(22,879)	(173,767)
Total	$ 201,100	$ 194,150	$ 188,719	$ 5,431	$ 179,921
Information technology:					
Salaries and employee benefits	$ 98,460	$ 98,460	$ 95,270	$ 3,190	$ 91,105
Operating expenses	172,850	179,350	198,752	(19,402)	226,146
Capital outlay	6,000	6,000	5,938	62	56,048
Reimbursement-enterprise fund	(50,380)	(60,380)	(53,115)	(7,265)	(52,744)
Total	$ 226,930	$ 223,430	$ 246,845	$ (23,415)	$ 320,555
Legal department:					
Salaries and employee benefits	$ 133,050	$ 133,050	$ 132,440	$ 610	$ 132,396
Operating expenses	32,140	26,140	20,794	5,346	10,480
Reimbursement-enterprise fund	(67,260)	(67,260)	(77,840)	10,580	(80,833)
Total	$ 97,930	$ 91,930	$ 75,394	$ 16,536	$ 62,043

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Fleet maintenance:					
Salaries and employee benefits	$ 309,090	$ 309,704	$ 299,958	$ 9,746	$ 217,355
Operating expenses	137,100	128,696	118,852	9,844	108,138
Capital outlay		15,380	50,380	(35,000)	12,555
Reimbursement-other departments	(56,000)	(71,490)	(75,863)	4,373	(72,659)
Reimbursement-enterprise fund	(38,000)	(38,000)	(29,717)	(8,283)	(23,445)
Total	$ 352,190	$ 344,290	$ 363,610	$ (19,320)	$ 241,944
Public buildings:					
Salaries and employee benefits	$ 176,070	$ 176,210	$ 167,767	$ 8,443	$ 197,047
Operating expenses	222,520	216,230	192,123	24,107	294,903
Capital outlay			6,298	(6,298)	48,775
Total	$ 398,590	$ 392,440	$ 366,188	$ 26,252	$ 540,725
Total general government	$ 2,198,330	$ 2,179,330	$ 1,946,835	$ 232,495	$ 2,048,160
Public safety:					
Police:					
Salaries and employee benefits	$ 3,057,340	$ 3,065,400	$ 3,038,042	$ 27,358	$ 2,858,415
Operating expenses	531,810	506,750	508,952	(2,202)	473,909
Capital outlay	188,000	235,600	228,451	7,149	146,303
Total	$ 3,777,150	$ 3,807,750	$ 3,775,445	$ 32,305	$ 3,478,627
Fire:					
Salaries and employee benefits	$ 1,201,230	$ 1,201,230	$ 1,187,206	$ 14,024	$ 1,201,997
Operating expenses	133,010	120,210	102,997	17,213	114,102
On-behalf payments:					
Firemen's Relief fund	6,000		28,109	(28,109)	32,900
Contract coverage-Vol. departments	338,000	335,000	334,738	262	328,033
Total	$ 1,678,240	$ 1,656,440	$ 1,653,050	$ 3,390	$ 1,677,032
Zoning:					
Salaries and employee benefits	$ 115,950	$ 115,950	$ 116,145	$ (195)	$ 100,186
Operating expenses	72,550	66,050	41,109	24,941	32,616
Total	$ 188,500	$ 182,000	$ 157,254	$ 24,746	$ 132,802
Planning:					
Salaries and employee benefits	$ 192,400	$ 174,930	$ 166,518	$ 8,412	$ 158,024
Operating expenses	132,160	132,160	126,784	5,376	110,378
Total	$ 324,560	$ 307,090	$ 293,302	$ 13,788	$ 268,402
Total public safety	$ 5,968,450	$ 5,953,280	$ 5,879,051	$ 74,229	$ 5,556,863

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Transportation:					
Administration:					
Salaries and employee benefits	$ 235,720	$ 236,550	$ 232,747	$ 3,803	$ 235,340
Operating expenses	73,110	70,980	66,880	4,100	45,592
Capital outlay					174,220
Total	$ 308,830	$ 307,530	$ 299,627	$ 7,903	$ 455,152
Streets and highways:					
Salaries and employee benefits	$ 415,100	$ 398,800	$ 321,123	$ 77,677	$ 337,141
Operating expenses	219,700	223,400	211,724	11,676	212,363
Capital outlay			174,366	(174,366)	187,973
Reimbursement-enterprise fund	(50,000)	(65,100)	(109,112)	44,012	(70,056)
Total	$ 584,800	$ 557,100	$ 598,101	$ (41,001)	$ 667,421
State Street Aid allocation:					
Operating expenses	$ 158,700	$ 343,700	$ 327,389	$ 16,311	$ 307,337
Capital outlay	194,000				6,130
Total	$ 352,700	$ 343,700	$ 327,389	$ 16,311	$ 313,467
Traffic engineering:					
Salaries and employee benefits	$ 128,820	$ 128,702	$ 126,848	$ 1,854	$ 118,763
Operating expenses	221,600	220,318	218,801	1,517	225,463
Total	$ 350,420	$ 349,020	$ 345,649	$ 3,371	$ 344,226
Total transportation	$ 1,596,750	$ 1,557,350	$ 1,570,766	$ (13,416)	$ 1,780,266
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	$ 403,860	$ 396,880	$ 389,082	$ 7,798	$ 369,072
Operating expenses	61,400	52,580	79,247	(26,667)	52,431
Capital outlay	193,000	73,323	46,940	26,383	662,299
Total park maintenance,drainage, and lot clearing	$ 658,260	$ 522,783	$ 515,269	$ 7,514	$ 1,083,802
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	$ 119,180	$ 118,510	$ 118,396	$ 114	$ 127,052
Operating expenses	89,900	78,961	78,936	25	93,812
Capital outlay	115,000	126,609	126,609	0	
Total cultural and recreational	$ 324,080	$ 324,080	$ 323,941	$ 139	$ 220,864

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	2008 Actual
Debt service:					
Principal	$ 428,350	$ 428,350	$ 323,333	$ 105,017	$ 323,333
Interest and fees	288,890	288,890	207,856	81,034	189,739
Total debt service	$ 717,240	$ 717,240	$ 531,189	$ 186,051	$ 513,072
Total expenditures	$ 11,463,110	$ 11,254,063	$ 10,767,051	$ 487,012	$ 11,203,027
Revenues over (under) expenditures	$ (690,150)	$ (433,503)	$ 328,523	$ 762,026	$ 701,194
Other financing sources / (uses)					
Transfers from (to) other funds:					
Enterprise funds:					
Solid Waste Fund	$ (500,670)	$ (293,670)	$ (292,057)	$ 1,613	$ (540,790)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(100,880)
Capital Reserve Fund	552,760	552,760	552,760		865,000
Capital Reserve Fund					(870,323)
Downtown Tax District Fund		(110,677)	(110,677)		(494,805)
Downtown Tax District Fund	100,000	75,000	75,000		
Seventh Avenue Tax District Fund	(78,920)	(64,500)	(64,500)		
Greenways Phase II Grant Fund					(202,000)
SkatePark Capital Project Fund		(114,300)	(114,297)	3	(175,000)
Wash Creek Erosion Project Fund		(45,090)	(45,084)	6	
Contingencies budgeted	(150,000)	(150,000)		150,000	
Fund balance appropriated	867,860	684,860		(684,860)	
Total other financing sources (uses)	$ 690,150	$ 433,503	$ (99,735)	$ (533,238)	$ (1,518,798)
Revenues and other financing sources over (under) expenditures and other uses	$ 0	$ 0	$ 228,788	$ 228,788	$ (817,604)
Fund balances:					
Beginning of year, July 1			7,924,110		8,741,714
End of year, June 30			$ 8,152,898		$ 7,924,110

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.

THE CITY OF HENDERSONVILLE · N.C.
1847

SPECIAL REVENUE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	SPECIAL REVENUE FUNDS	
	Downtown Tax District Fund	Seventh Avenue Tax District Fund
ASSETS		
Cash and cash equivalents	$ 225,875	$ 1,963
Restricted cash and cash equivalents		
Taxes receivable (net)	16,415	1,744
Sales tax refundable	2,048	388
Accounts receivable	47	3
Total Assets	$ 244,385	$ 4,098
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 2,158	$ 92
Due to other funds		
Deferred revenues	16,415	1,744
Total Liabilities	$ 18,573	$ 1,836
Fund balances:		
Reserved by State statute	$ 2,095	$ 391
Unreserved:		
Designated for subsequent year's expenditures	27,300	
Undesignated	196,417	1,871
Total Fund balances	$ 225,812	$ 2,262
Total Liabilities and Fund balances	$ 244,385	$ 4,098

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C-1

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUND	
Oklawaha Greenway Phase II Grant Fund	Governor's Highway Safety Program Grant Fund	Total	Sidewalk Construction Fund	Total Nonmajor Governmental Funds
$ 5,571	$ 1,135	$ 234,544		$ 234,544
		0	$ 2,022,321	2,022,321
		18,159		18,159
6,030	398	8,864		8,864
		50		50
$ 11,601	$ 1,533	$ 261,617	$ 2,022,321	$ 2,283,938
$ 8,972	$	$ 11,222	$ 214	$ 11,436
	$ 1,533	1,533		1,533
		18,159		18,159
$ 8,972	$ 1,533	$ 30,914	$ 214	$ 31,128
$ 6,030	$ 398	$ 8,914		$ 8,914
		27,300		27,300
(3,401)	(398)	194,489	$ 2,022,107	2,216,596
$ 2,629	$ 0	$ 230,703	$ 2,022,107	$ 2,252,810
$ 11,601	$ 1,533	$ 261,617	$ 2,022,321	$ 2,283,938

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS			
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Oklawaha Greenways Phase II Grant Fund	Governor's Highway Safety Program Grant Fund
Revenues:				
Ad valorem taxes	$ 234,163	$ 8,794		
Restricted intergovernmental				$ 40,672
Unrestricted intergovernmental	100,620	2,580		
Contributions				
Investment earnings	5,247	218		
Total Revenues	$ 340,030	$ 11,592	$ 0	$ 40,672
Expenditures:				
Public safety				$ 40,672
Recreation			$ 188,849	
Transportation				
Park maintenance and drainage				
Economic and physical development	$ 301,502	$ 89,246		
Total Expenditures	$ 301,502	$ 89,246	$ 188,849	$ 40,672
Revenues over (under) expenditures	$ 38,528	$ (77,654)	$ (188,849)	$ 0
Other financing sources / (uses):				
Proceeds of general obligation bonds				
Transfer in - General Fund	$ 110,677	$ 64,500		
Transfer out - General Fund	(75,000)			
Total other financing sources / (uses)	$ 35,677	$ 64,500	$ 0	$ 0
Revenues and other financing sources over / (under) expenditures and other (uses):	$ 74,205	$ (13,154)	$ (188,849)	$ 0
Fund balances:				
Beginning of year, July 1	151,607	15,416	191,478	
End of year, June 30	$ 225,812	$ 2,262	$ 2,629	$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-2

SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			
Wash Creek Stream Restoration Grant Fund	Total	Sidewalk Construction Fund	SkatePark Construction Fund	Total	Total Nonmajor Governmental Funds
	$ 242,957				$ 242,957
$ 89,053	129,725	$ 105,000		$ 105,000	234,725
	103,200				103,200
	0	52,260	$ 69,326	121,586	121,586
	5,465	24,854		24,854	30,319
$ 89,053	$ 481,347	$ 182,114	$ 69,326	$ 251,440	$ 732,787
	$ 40,672				$ 40,672
	188,849		$ 390,641	$ 390,641	579,490
	0	$ 260,007		260,007	260,007
$ 134,137	134,137				134,137
	390,748				390,748
$ 134,137	$ 754,406	$ 260,007	$ 390,641	$ 650,648	$ 1,405,054
$ (45,084)	$ (273,059)	$ (77,893)	$ (321,315)	$ (399,208)	$ (672,267)
		$ 2,100,000		$ 2,100,000	$ 2,100,000
$ 45,084	$ 220,261		$ 114,297	114,297	334,558
	(75,000)			0	(75,000)
$ 45,084	$ 145,261	$ 2,100,000	$ 114,297	2,214,297	2,359,558
$ 0	$ (127,798)	$ 2,022,107	$ (207,018)	$ 1,815,089	$ 1,687,291
	358,501		207,018	207,018	565,519
$ 0	$ 230,703	$ 2,022,107	$ 0	$ 2,022,107	$ 2,252,810

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C-3

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	2008 Actual
Revenues:					
Ad valorem taxes:					
Taxes	$ 226,290	$ 226,290	$ 233,579	$ 7,289	$ 240,459
Penalties and interest	100	100	584	484	1,746
Refunds	(100)	(100)		100	0
Total	$ 226,290	$ 226,290	$ 234,163	$ 7,873	$ 242,205
Sales and use taxes	$ 100,620	$ 100,620	$ 100,620		
Investment earnings	400	400	5,247	$ 4,847	$ 3,371
Total revenues	$ 327,310	$ 327,310	$ 340,030	$ 12,720	$ 245,576
Expenditures:					
Economic and physical development:					
Operating expenses	$ 249,500	$ 385,177	$ 274,867	$ 110,310	$ 236,192
Capital outlay	85,000	85,000	26,635	58,365	661,741
Total expenditures	$ 334,500	$ 470,177	$ 301,502	$ 168,675	$ 897,933
Revenues over (under) expenditures	$ (7,190)	$ (142,867)	$ 38,528	$ (155,955)	$ (652,357)
Other financing sources / (uses)					
Transfer from General Fund		$ 110,677	$ 110,677		494,805
Transfer (to) General Fund	$ (100,000)	(75,000)	(75,000)		
Transfer from Capital Reserve Fund					258,900
Fund balance appropriated	107,190	107,190		$ (107,190)	
Total other financing sources	$ 7,190	$ 142,867	$ 35,677	$ (107,190)	$ 753,705
Revenues and other financing sources over (under) expenditures	$ 0	$ 0	$ 74,205	$ (263,145)	$ 101,348
Fund balances:					
Beginning of year, July 1			151,607		50,259
End of year, June 30			$ 225,812		$ 151,607

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C-4

	2009				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2008 Actual
	Original	Final	Actual		
Revenues:					
Ad valorem taxes:					
Taxes	$ 7,850	$ 7,850	$ 8,703	$ 853	$ 9,070
Penalties and interest	50	50	91	41	150
Total	$ 7,900	$ 7,900	$ 8,794	$ 894	$ 9,220
Sales and use taxes	$ 2,580	$ 2,580	$ 2,580		
Investment earnings	200	200	218	$ 18	$ 516
Total revenues	$ 10,680	$ 10,680	$ 11,592	$ 912	$ 9,736
Expenditures:					
Economic and physical development:					
Operating expenses	$ 104,000	$ 67,940	$ 67,606	$ 334	$ 3,333
Capital outlay		21,640	21,640		
Total expenditures	$ 104,000	$ 89,580	$ 89,246	$ 334	$ 3,333
Revenues over (under) expenditures	$ (93,320)	$ (78,900)	$ (77,654)	$ 1,246	$ 6,403
Other financing sources / (uses)					
Transfer from General Fund	$ 78,920	$ 64,500	$ 64,500		
Fund balance appropriated	14,400	14,400		$ (14,400)	
Total other financing sources	$ 93,320	$ 78,900	$ 64,500	$ (14,400)	
Revenues and other financing sources over (under) expenditures	$ 0	$ 0	$ (13,154)	$ (13,154)	$ 6,403
Fund balances:					
Beginning of year, July 1			15,416		9,013
End of year, June 30			$ 2,262		$ 15,416

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, 2009

Exhibit C-5

	Project Author-ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	$ 400,000				$ (400,000)
Total revenues	$ 400,000	$ 0	$ 0	$ 0	$ (400,000)
Expenditures :					
Recreation:					
Capital outlay-					
Bicycle / pedestrian path	$ 602,000	$ 10,522	$ 188,849	$ 199,371	$ 402,629
Total expenditures	$ 602,000	$ 10,522	$ 188,849	$ 199,371	$ 402,629
Revenues over (under) expenditures	$ (202,000)	$ (10,522)	$ (188,849)	$ (199,371)	$ 2,629
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	$ 191,478	$ (188,849)	$ 2,629	$ 2,629
Fund balance:					
Beginning of year, July 1			191,478		
End of year, June 30			$ 2,629		

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, 2009

Exhibit C-6

	Project Author-ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	$ 42,430	$	40,672	40,672	$ (1,758)
Total revenues	$ 42,430	$ 0	$ 40,672	$ 40,672	$ (1,758)
Expenditures :					
Public safety					
Operating expenditures	$ 42,430		$ 40,672	$ 40,672	$ 1,758
Total expenditures	$ 42,430	$ 0	$ 40,672	$ 40,672	$ 1,758
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
WASH CREEK STREAM RESTORATION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-7

	Project Author-ization	Actual: Prior Years	Actual: Current Year	Actual: Total to Date	Variance Positive (Negative)
Revenues:					
State grant	$ 100,000		$ 89,053	$ 89,053	$ (10,947)
Total revenues	$ 100,000	$ 0	$ 89,053	$ 89,053	$ (10,947)
Expenditures :					
Park maintenance, drainage:					
Operating expenses	$ 150,000		$ 134,137	$ 134,137	$ 15,863
Total expenditures	$ 150,000	$ 0	$ 134,137	$ 134,137	$ 15,863
Revenues over (under) expenditures	$ (50,000)	$ 0	$ (45,084)	$ (45,084)	$ 4,916
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	$ 50,000		45,084	$ 45,084	$ (4,916)
Total other financing sources	$ 50,000	$ 0	$ 45,084	$ 45,084	$ (4,916)
Revenues and other financing 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
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-8

	2009				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2008 Actual
	Original	Final	Actual		
Revenues:					
Investment earnings	$ 49,800	$ 49,800	$ 64,410	$ 14,610	$ 149,927
Total revenues	$ 49,800	$ 49,800	$ 64,410	$ 14,610	$ 149,927
Other financing sources (uses):					
Transfer from General Fund					$ 870,323
Transfer (to) General Fund	$ (552,760)	$ (552,760)	$ (552,760)		(865,000)
Transfer (to) Downtown Fund					(258,900)
Appropriated fund balance	502,960	502,960		$ (502,960)	
Total other financing sources (uses)	$ (49,800)	$ (49,800)	$ (552,760)	$ (502,960)	$ (253,577)
Revenues and other financing sources over (under) expenditures and other uses	$ 0	$ 0	$ (488,350)	$ (488,350)	$ (103,650)
Fund balance:					
Beginning of year, July 1			2,172,462		2,276,112
End of year, June 30			$ 1,684,112		$ 2,172,462

THE CITY OF HENDERSONVILLE · N.C.
1847

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.

Exhibit D-1

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, 2009

	Project Author-ization	Actual: Prior Years	Actual: Current Year	Actual: Total to Date	Variance Positive (Negative)
Revenues:					
State grant			$ 105,000	$ 105,000	$ 105,000
Local contributions	$ 52,260		52,260	52,260	
Investment earnings	147,740		24,854	24,854	(122,886)
Total revenues	$ 200,000	$ 0	$ 182,114	$ 182,114	$ (17,886)
Expenditures :					
Transportation:					
Capital outlay-sidewalk construction	$ 2,300,000		$ 260,007	$ 260,007	$ 2,039,993
Total expenditures	$ 2,300,000	$ 0	$ 260,007	$ 260,007	$ 2,039,993
Revenues over (under) expenditures	$ (2,100,000)	$ 0	$ (77,893)	$ (77,893)	$ 2,022,107
Other financing sources :					
General obligation bonds issued	$ 2,100,000		$ 2,100,000	$ 2,100,000	
Total other financing sources	$ 2,100,000	$ 0	$ 2,100,000	$ 2,100,000	
Revenues and other financing sources over expenditures	$ 0	$ 0	$ 2,022,107	$ 2,022,107	$ 2,022,107
Fund balance: Beginning of year, July 1					
End of year, June 30			$ 2,022,107		

Exhibit D-2

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND
SKATEBOARD PARK CONSTRUCTION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

	Project Author-ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Private grant	$ 25,000	$ 10,000		$ 10,000	$ (15,000)
Private contributions	50,000		$ 19,326	19,326	(30,674)
ABC Board contribution	100,000	50,000	50,000	100,000	0
Total revenues	$ 175,000	$ 60,000	$ 69,326	$ 129,326	$ (45,674)
Expenditures :					
Recreation:					
Capital outlay- Skateboard park construction	$ 390,570	$ 27,982	$ 390,641	$ 418,623	$ (28,053)
Total expenditures	$ 390,570	$ 27,982	$ 390,641	$ 418,623	$ (28,053)
Revenues over (under) expenditures	$ (215,570)	$ 32,018	$ (321,315)	$ (289,297)	$ (73,727)
Other financing sources :					
Transfer-General Fund	$ 215,570	$ 175,000	$ 114,297	$ 289,297	73,727
Total other financing sources	$ 215,570	$ 175,000	114,297	$ 289,297	$ 73,727
Revenues and other financing sources over expenditures	$ 0	$ 207,018	$ (207,018)	$ 0	$ 0
Fund balance: Beginning of year, July 1			207,018		
End of year, June 30			$ 0		

THE CITY OF HENDERSONVILLE · NC
1847

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.

Exhibit E-1

CITY OF HENDERSONVILLE, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2008 Actual
	Original	Final	Actual		
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Residential	$ 535,000	$ 535,000	$ 534,490	$ (510)	$ 432,656
Commercial	125,000	125,000	134,167	9,167	115,380
Recycling revenues			5,934	5,934	
Total operating revenues	$ 660,000	$ 660,000	$ 674,591	$ 14,591	$ 548,036
Non-operating revenues:					
Investment earnings	$ 100	$ 100	$ 111	$ 11	$ 376
Insurance proceeds					2,500
Transfer from General Fund	500,670	293,670	292,057	(1,613)	540,790
Total non-operating revenues	$ 500,770	$ 293,770	$ 292,168	$ (1,602)	$ 543,666
Total revenues	$ 1,160,770	$ 953,770	$ 966,759	$ 12,989	$ 1,091,702
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	$ 446,600	$ 452,300	$ 425,765	$ 26,535	$ 399,516
Landfill tipping fees	265,000	265,000	214,429	50,571	207,162
Other departmental expenses	172,300	176,600	110,580	66,020	113,560
Contracted services	204,500	204,500	198,669	5,831	198,417
Capital outlay	190,000	180,000		180,000	
Total	$ 1,278,400	$ 1,278,400	$ 949,443	$ 328,957	$ 918,655
Debt service:					
Principal	$ 22,080	$ 22,080	$ 22,077	$ 3	$ 21,377
Interest	540	540	540		1,240
Total	$ 22,620	$ 22,620	$ 22,617	$ 3	$ 22,617
Total expenditures	$ 1,301,020	$ 1,301,020	$ 972,060	$ 328,960	$ 941,272
Revenues over / (under expenditures	$ (140,250)	$ (347,250)	$ (5,301)	$ 341,949	$ 150,430
Other financing sources:					
Fund balance appropriated	$ 140,250	$ 347,250		$ (347,250)	
Revenues and other financing sources over expenditures	$ 0	$ 0	$ (5,301)	$ (5,301)	$ 150,430
Reconciliation of modified accrual basis to full accrual basis:					
Payment of debt principal			22,077		21,377
(Decrease)/increase in accrued revenues			3,378		(603)
(Increase) in allowance for uncollectible accounts			(6,781)		(6,042)
Depreciation			(31,278)		(40,687)
Book value of disposed equipment			(31,370)		
(Increase) / decrease in compensated absences			396		(4,536)
(Increase) in other postemployment benefits			(4,418)		
Change in net assets			$ (53,296)		$ 119,939

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2008 Actual
	Original	Final	Actual		
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	$ 7,509,000	$ 7,509,000	$ 7,649,082	$ 140,082	$ 7,649,591
Sewer charges	4,401,000	4,401,000	3,878,342	(522,658)	4,106,451
Water and sewer taps	266,000	266,000	151,124	(114,876)	251,809
Other operating revenues:					
System development charges	640,000	640,000	332,389	(307,611)	757,953
Other	63,800	63,800	110,882	47,082	105,389
Total operating revenues	$ 12,879,800	$ 12,879,800	$ 12,121,819	$ (757,981)	$ 12,871,193
Non-operating revenues:					
Investment earnings	$ 260,000	$ 260,000	$ 451,425	$ 191,425	$ 867,850
Transfer from General Fund	100,880	100,880	100,880		100,880
Sale of fixed assets					
Other non-operating revenues	5,100	5,100	29,639	24,539	4,680
Total non-operating revenues	$ 365,980	$ 365,980	$ 581,944	$ 215,964	$ 973,410
Total revenues	$ 13,245,780	$ 13,245,780	$ 12,703,763	$ (542,017)	$ 13,844,603
Expenditures:					
Administration:					
Salaries and employee benefits	$ 217,730	$ 214,630	$ 208,131	$ 6,499	$ 155,464
Contracted services	144,600	105,850	75,438	30,412	110,769
Engineering department expense	187,620	187,620	164,741	22,879	173,767
Supplies	12,700	10,500	7,827	2,673	12,110
Other departmental expenses	304,730	298,642	289,939	8,703	334,397
Total	$ 867,380	$ 817,242	$ 746,076	$ 71,166	$ 786,507
Business operations:					
Salaries and employee benefits	$ 478,600	$ 478,600	$ 548,180	$ (69,580)	$ 523,239
Supplies	97,000	97,000	73,167	23,833	52,609
Other departmental expenses	303,580	303,580	289,221	14,359	257,975
Total	$ 879,180	$ 879,180	$ 910,568	$ (31,388)	$ 833,823
Operations and maintenance:					
Salaries and employee benefits	$ 382,620	$ 379,074	$ 357,708	$ 21,366	$ 303,077
Utilities	180,000	193,214	194,269	(1,055)	173,666
Supplies	32,500	24,494	24,099	395	25,105
Other departmental expenses	183,450	162,881	149,145	13,736	138,292
Total	$ 778,570	$ 759,663	$ 725,221	$ 34,442	$ 640,140

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Water treatment plant:					
Salaries and employee benefits	$ 523,850	$ 561,482	$ 554,406	$ 7,076	$ 513,542
Contracted services	469,000	412,377	470,450	(58,073)	535,256
Utilities	300,000	243,000	255,495	(12,495)	249,406
Chemicals	310,000	333,280	340,165	(6,885)	265,948
Supplies	57,000	56,816	56,097	719	65,522
Other departmental expenses	93,200	90,164	81,625	8,539	107,660
Total	$ 1,753,050	$ 1,697,119	$ 1,758,238	$ (61,119)	$ 1,737,334
Field operations:					
Salaries and employee benefits	$ 659,980	$ 669,048	$ 665,417	$ 3,631	$ 614,158
Supplies	58,400	43,800	41,601	2,199	51,988
Other departmental expenses	91,600	80,676	67,657	13,019	90,873
Total	$ 809,980	$ 793,524	$ 774,675	$ 18,849	$ 757,019
Water line maintenance:					
Salaries and employee benefits	$ 669,200	$ 669,200	$ 665,438	$ 3,762	$ 627,370
Contracted services	45,000	13,080	11,946	1,134	32,196
Issues from inventory	550,000	444,532	679,738	(235,206)	564,573
Supplies	104,860	97,860	96,866	994	101,870
Other departmental expenses	206,950	206,696	181,422	25,274	137,138
Total	$ 1,576,010	$ 1,431,368	$ 1,635,410	$ (204,042)	$ 1,463,147
Waste treatment plant:					
Salaries and employee benefits	$ 553,870	$ 547,897	$ 527,383	$ 20,514	$ 496,467
Contracted services	22,000	21,456	24,126	(2,670)	22,754
Sludge management	330,000	350,000	242,273	107,727	264,657
Utilities	268,000	224,187	194,255	29,932	243,336
Supplies	54,400	41,314	41,053	261	45,948
Other departmental expenses	137,100	126,166	101,499	24,667	102,226
Total	$ 1,365,370	$ 1,311,020	$ 1,130,589	$ 180,431	$ 1,175,388
Sewer line maintenance:					
Salaries and employee benefits	$ 488,050	$ 488,958	$ 471,595	$ 17,363	$ 438,871
Contracted services	527,000	493,456	124,079	369,377	96,554
Issues from inventory	40,000	30,000	21,321	8,679	35,408
Supplies	99,000	78,069	74,124	3,945	77,366
Other departmental expenses	53,300	52,081	62,166	(10,085)	49,081
Total	$ 1,207,350	$ 1,142,564	$ 753,285	$ 389,279	$ 697,280

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009				
	Budgeted Amounts			Variance with Final Budget Positive	2008
	Original	Final	Actual	(Negative)	Actual
Budgetary appropriations:					
Interest	$ 797,100	$ 797,100	$ 731,689	$ 65,411	$ 601,281
Debt principal	2,061,140	2,061,140	1,884,975	176,165	1,587,608
Capital outlay:					
Equipment	949,560	782,343	850,708	(68,365)	320,496
Water lines	1,505,000	1,095,572	4,059,401	(2,963,829)	471,594
Sewer lines			82,953	(82,953)	33,555
Total	$ 5,312,800	$ 4,736,155	$ 7,609,726	$ (2,873,571)	$ 3,014,534
Total expenditures	$ 14,549,690	$ 13,567,835	$ 16,043,788	$ (2,475,953)	$ 11,105,172
Revenues over (under) expenditures	$ (1,303,910)	$ (322,055)	$ (3,340,025)	$ (3,017,970)	$ 2,739,431
Other financing sources (uses):					
Contingencies	$ (200,000)	$ (200,000)		$ 200,000	
Proceeds of debt	1,437,000	1,437,000			
Transfers to Capital Projects Funds	(4,100,000)	(4,322,062)	$ (4,322,062)	0	$ (2,000,000)
Fund balance appropriated	4,166,910	3,407,117		(3,407,117)	
Total other financing sources (uses)	$ 1,303,910	$ 322,055	$ (4,322,062)	$ (3,207,117)	$ (2,000,000)
Revenues and other financing sources over (under) expenditures and other uses	$ 0	$ 0	$ (7,662,087)	$ (6,225,087)	$ 739,431
Reconciliation of modified accrual basis to full accrual basis:					
(Decrease) in accrued revenues			(73,161)		(27,090)
(Increase) in allowance for doubtful accounts			(8,323)		(2,305)
Interest earned in capital projects funds			35,700		198,227
Capital grant in capital project fund			292,577		
Payment of debt principal			1,884,975		1,587,608
Capital outlay			4,993,062		825,645
Book value of disposed equipment			(8,630)		
Transfers to capital projects funds			4,322,062		2,000,000
(Increase) / decrease in bond and note interest accrued			14,080		(96,300)
Amortization of defeasance loss			(14,272)		(14,322)
Depreciation			(1,955,632)		(1,672,357)
(Increase) in compensated absences			(24,221)		(23,418)
(Increase) in other postemployment benefits liability			(88,592)		
Change in net assets			$ 1,707,538		$ 3,515,119

THE CITY OF HENDERSONVILLE · N.C.
1847

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.

Exhibit E-3

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, 2009

	Project Author-ization	Actual: Prior Years	Actual: Current Year	Actual: Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant - EPA / S T A G funds	$ 547,250		$ 292,577	$ 292,577	$ (254,673)
State grant - High Unit Cost grant	247,817	$ 292,960	0	292,960	45,143
Total revenues	$ 795,067	$ 292,960	$ 292,577	$ 585,537	$ (209,530)
Expenditures -					
Waterline construction:					
Engineering	$ 167,805	$ 119,020	$ 40,865	$ 159,885	$ 7,920
Customer portion	180,000				180,000
Construction	821,857	319,860	510,237	830,097	(8,240)
Contingencies	97,800				97,800
Total expenditures	$ 1,267,462	$ 438,880	$ 551,102	$ 989,982	$ 277,480
Revenues over (under) expenditures	$ (472,395)	$ (145,920)	$ (258,525)	$ (404,445)	$ 67,950
Other financing sources:					
Proceeds of borrowing					$ (199,933)
State Revolving Loan Fund	$ 199,933				
Transfer - Water & Sewer Fund	272,462		$ 222,062	$ 222,062	(50,400)
Total other financing sources	$ 472,395	$ 0	$ 222,062	$ 222,062	$ (250,333)
Revenues and other financing sources over (under) expenditures	$ 0	$ (145,920)	$ (36,463)	$ (182,383)	$ (182,383)

Exhibit E-4

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, 2009

	Project Author-ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	$ 190,000	$ 198,227	$ 35,700	$ 233,927	43,927
Total revenues	$ 190,000	$ 198,227	$ 35,700	$ 233,927	$ 43,927
Expenditures -					
Waterline construction:					
Engineering	$ 1,060,000	$ 313,706	$ 420,881	$ 734,587	$ 325,413
Construction	17,296,300	3,728,884	9,281,662	13,010,546	4,285,754
Contingencies	1,543,700				1,543,700
Total expenditures	$ 19,900,000	$ 4,042,590	$ 9,702,543	$ 13,745,133	$ 6,154,867
Revenues over (under) expenditures	$ (19,710,000)	$ (3,844,363)	$ (9,666,843)	$ (13,511,206)	$ 6,198,794
Other financing sources:					
Proceeds of borrowing	$ 10,000,000	$ 10,000,000		$ 10,000,000	
Transfer - Water & Sewer Fund	9,710,000	2,000,000	$ 4,100,000	6,100,000	$ (3,610,000)
Total other financing sources	$ 19,710,000	$ 12,000,000	$ 4,100,000	$ 16,100,000	$ (3,610,000)
Revenues and other financing sources over (under) expenditures	$ 0	$ 8,155,637	$ (5,566,843)	$ 2,588,794	$ 2,588,794

Exhibit E-5

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, 2009

	Project Author-ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant - USACEG	$ 500,000				$ (500,000)
State grant - NCRCDCG	1,596,750		$ 0	$ 0	(1,596,750)
Total revenues	$ 2,096,750	$ 0	$ 0	$ 0	$ (2,096,750)
Expenditures -					
Waterline construction:					
Engineering	$ 328,680	$ 76,628	$ 98,159	$ 174,787	$ 153,893
Land and R-O-W purchases	90,200				90,200
Construction	2,001,000				2,001,000
Contingencies	209,120				209,120
Total expenditures	$ 2,629,000	$ 76,628	$ 98,159	$ 174,787	$ 2,454,213
Revenues over (under) expenditures	$ (532,250)	$ (76,628)	$ (98,159)	$ (174,787)	$ 357,463
Other financing sources:					
Transfer - Water & Sewer Fund	$ 532,250				$ (532,250)
Total other financing sources	$ 532,250	$ 0	$ 0	$ 0	$ (532,250)
Revenues and other financing sources over (under) expenditures	$ 0	$ (76,628)	$ (98,159)	$ (174,787)	$ (174,787)

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2009 AND JUNE 30, 2008

Exhibit F-1

	June 30, 2009	June 30, 2008
Governmental Capital Assets:		
Land	$ 2,143,940	$ 2,143,940
Construction in progress		38,505
Buildings	7,952,460	7,947,551
Improvements other than buildings	3,367,245	2,523,986
Machinery, vehicles and equipment	4,863,106	4,880,298
Infrastructure	10,899,467	10,639,460
Totals	$ 29,226,218	$ 28,173,740

Investment in Governmental Capital Assets by source:		
General Fund	$ 19,709,736	$ 19,582,258
Special Revenue Funds	2,078,861	1,804,509
Capital Projects Funds	6,821,021	6,170,373
Donations	616,600	616,600
Totals	$ 29,226,218	$ 28,173,740

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2009

Exhibit F-2

Function and Activity	Land	Construction	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government:							
Administration	$ 64,282		$ 1,202,795				$ 1,267,077
Finance			1,282,047		$ 5,457		1,287,504
City engineer					51,894		51,894
Information technology					63,108		63,108
Central services			294,385	$ 50,380	108,928		453,693
Public buildings					116,045		116,045
Total general government	$ 64,282	$ 0	$ 2,779,227	$ 50,380	$ 345,432	$ 0	$ 3,239,321
Public safety:							
Police			$ 2,136,747		$ 1,430,825		$ 3,567,572
Fire			1,295,871		1,768,441		3,064,312
Zoning					37,195		37,195
Total public safety	$ 0	$ 0	$ 3,432,618	$ 0	$ 3,236,461	$	$ 6,669,079
Transportation:							
Administration	$ 62,392		$ 1,109,500	$ 127,102	$ 55,316		$ 1,354,310
Streets and highways	764,257		83,783	594,315	916,509	$ 10,899,467	13,258,331
Traffic engineering					64,929		64,929
Total transportation	$ 826,649	$ 0	$ 1,193,283	$ 721,417	$ 1,036,754	$ 10,899,467	$ 14,677,570
Park maintenance, drainage and lot clearing	$ 1,253,009	$	$ 547,332	$ 2,595,448	$ 244,459	$ 0	4,640,248
Totals	$ 2,143,940	$ 0	$ 7,952,460	$ 3,367,245	$ 4,863,106	$ 10,899,467	$ 29,226,218

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, 2009

Exhibit F-3

Function and Activity	Governmental Funds Capital Assets July 1, 2008	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2009
General government:					
Administration	$ 1,267,077				$ 1,267,077
Finance	1,415,957		$ 128,453		1,287,504
City engineer	51,894				51,894
Information technology	73,999	$ 5,938	16,829		63,108
Central services	388,783	50,381		$ 14,529	453,693
Public buildings	109,747	6,298			116,045
Total general government	$ 3,307,457	$ 62,617	$ 145,282	$ 14,529	$ 3,239,321
Public safety:					
Police	$ 3,635,107	$ 265,679	$ 293,264	$ (39,950)	$ 3,567,572
Fire	3,024,362			39,950	3,064,312
Zoning	37,195				37,195
Total public safety	$ 6,696,664	$ 265,679	$ 293,264	$ 0	$ 6,669,079
Transportation:					
Administration	$ 1,354,310				$ 1,354,310
Streets and highways	2,129,151	$ 269,583	$ 39,869		2,358,865
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	211,709				211,709
Sidewalk systems	1,797,134	260,007			2,057,141
Street systems	4,710,881				4,710,881
Traffic engineering	64,929				64,929
Total transportation	$ 14,187,849	$ 529,590	$ 39,869	$ 0	$ 14,677,570
Park maintenance, drainage and lot clearing	$ 3,981,770	$ 706,098	$ 33,091	$ (14,529)	$ 4,640,248
Totals	$ 28,173,740	$ 1,563,984	$ 511,506	$ 0	$ 29,226,218

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, 2009

Exhibit G-1

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and investments	$ 0	$ 9,021	$ 8,921	$ 100
LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Educatio	$ 0	$ 9,021	$ 8,921	$ 100

SCHEDULES SECTION

THE CITY OF HENDERSONVILLE · N.C.
1847

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2009

Exhibit H-1

Fiscal year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009		$ 6,559,821	$ 6,335,116	$ 224,705
2007-2008	$ 146,786		60,492	86,294
2006-2007	47,662		4,480	43,182
2005-2006	22,936		744	22,192
2004-2005	13,986		322	13,664
2003-2004	6,511	43		6,554
2002-2003	11,029		71	10,958
2001-2002	6,462			6,462
2000-2001	9,462			9,462
1999-2000	10,366			10,366
1998-1999	6,748		6,748	0
	$ 281,948	$ 6,559,864	$ 6,407,973	$ 433,839

Less allowance for uncollectible ad valorem taxes receivable	127,251
Ad valorem taxes receivable, net	$ 306,588

Reconcilement with revenues:

Ad valorem taxes - General Fund	$ 6,431,603
Reconciling items:	
Interest collected	(32,460)
Taxes written off after 10 years	6,748
Releases and refunds	2,082
Total collections and credits	$ 6,407,973

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit H-2

	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:	Property valuation	Rate	Amount of Levy		
Property at current year's rate	$ 1,724,125,200	$ 0.38	$ 6,551,676	$ 6,229,743	$ 321,933
Penalties			8,145	8,145	
Net levy	$ 1,724,125,200		$ 6,559,821	$ 6,237,888	$ 321,933
Uncollected taxes at June 30, 2009			224,705	201,393	23,312
Current year's taxes collected			$ 6,335,116	$ 6,036,495	$ 298,621
Current levy collection percentage			96.57%	96.77%	92.76%

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, 2009

Exhibit H-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	$ 1,515,427,014
Personal Property	183,996,162
Public Service Companies (2)	24,702,024
Total Assessed Valuation	$ 1,724,125,200
Tax Rate per $100	$ 0.38
Levy (includes discoveries, releases, abatements) (3)	$ 6,559,821

(1) Percentage of appraised value has been established by statute.

(2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission

(3) The levy includes interest and penalties for late listing.

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
PRINCIPAL TAXPAYERS
JUNE 30, 2009

Exhibit H-2b

TAXPAYER	'TYPE OF BUSINESS	ASSESSED VALUE	% of TOTAL ASSESSED VALUE
Ingles Markets, Inc.	Grocery Chain	$ 24,729,349	1.43%
Wal-Mart Stores, Inc.	Retail Sales	22,289,991	1.29%
Boyd L. Hyder	Entrepreneur	17,925,800	1.04%
Highland Investors, LLC	Nursing Homes	15,695,290	0.91%
Lowes of Hendersonville	Home Improvement	13,467,083	0.78%
First Citizens Bank	Banking Service	13,121,575	0.76%
Home Depot	Home Improvement	11,972,965	0.69%
Blue Ridge Mall, LTD.	Retail Sales	11,901,971	0.69%
Henderson Crossing Shopping Center	Retail Sales	11,432,500	0.66%
Triangle Real Estate	Real Estate Sales	11,381,100	0.66%
	Total	$ 153,917,624	8.93%

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, 2009

Exhibit H-3

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
		$ 241,976	$ 233,358	$ 8,618
2007-2008	$ 6,027		339	5,688
2006-2007	3,243		66	3,177
2005-2006	1,013		28	985
2004-2005	726			726
2003-2004	198			198
2002-2003	506			506
2001-2002	297			297
2000-2001	330			330
	$ 12,340	$ 241,976	$ 233,791	$ 20,525

Less allowance for uncollectible ad valorem taxes receivable	4,290
Ad valorem taxes receivable - net	$ 16,235
Reconcilement with revenues:	
Ad valorem taxes - Downtown Tax District Fund	$ 234,163
Reconciling items:	
Interest collected	(584)
Releases	212
Total collections and credits	$ 233,791

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit H-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:	Property valuation	Rate	Amount of Levy		
Property at current year's rate	$ 96,467,600	$ 0.25	$ 241,169	$ 240,542	$ 627
Penalties			807	807	
Net levy	$ 96,467,600		$ 241,976	$ 241,349	$ 627
Uncollected taxes at June 30, 2009			8,618	8,500	118
Current year's taxes collected			$ 233,358	$ 232,849	$ 509
Current levy collection percentage			96.44%	96.48%	81.18%

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, 2009

Exhibit H-5

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009		$ 9,257	$ 8,638	$ 619
2007-2008	$ 525		44	481
2006-2007	419		13	406
2005-2006	98			98
2004-2005	26			26
2003-2004	123			123
2002-2003	76		14	62
2001-2002	98			98
2000-2001	22			22
1998-1999	40		40	0
	$ 1,427	$ 9,257	$ 8,749	$ 1,935

Less allowance for uncollectible ad valorem taxes receivable	192
Ad valorem taxes receivable - net	$ 1,743
Reconcilement with revenues:	
Ad valorem taxes - Seventh Avenue Tax District Fund	$ 8,794
Reconciling items:	
Interest collected	(91)
Taxes written off after 10 years	40
Releases	6
Total collections and credits	$ 8,749

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit H-6

Original Levy:	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	$ 11,527,500	$ 0.08	$ 9,222	$ 8,939	$ 283
Penalties			35	35	
Net levy	$ 11,527,500		$ 9,257	$ 8,974	$ 283
Uncollected taxes at June 30, 2009			619	619	0
Current year's taxes collected			$ 8,638	$ 8,355	$ 283
Current levy collection percentage			93.31%	93.10%	100.00%

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

THE CITY OF HENDERSONVILLE · NC
1847

TRANSFERS

THE CITY OF HENDERSONVILLE · N.C.
1847

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit H-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	$ 727,495	
Downtown Tax District Fund		$ 110,677
Seventh Avenue Tax District Fund		64,500
SkatePark Capital Project Fund		114,297
Wash Creek Stream Restoration Project Fund		45,084
Enterprise Funds:		
Solid Waste Fund		292,057
Water & Sewer Fund		100,880
Downtown Tax District Fund	75,000	
General Fund		75,000
Capital Reserve Fund	552,760	
General Fund		552,760
	$ 1,355,255	$ 1,355,255
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	$ 110,000	
Law enforcement services	40,000	
Contribution to SkatePark	50,000	
General Fund		$ 150,000
SkatePark Capital Project Fund contribution		50,000
Total - component units	$ 200,000	$ 200,000

THE CITY OF HENDERSONVILLE · N.C.
1847

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 97

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity 103

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity 107

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.

Demographic and Economic Information 111

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information 113

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.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	$ 7,993,362	$ 6,967,696	$ 11,311,106	$ 12,114,182	$ 12,837,442	$ 15,175,066	$ 13,737,365
Restricted	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209
Unrestricted	(A)	(A)	(A)	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504	11,249,729
Total Governmental Activities Net Assets				$ 18,131,054	$ 18,845,488	$ 21,384,070	$ 22,874,740	$ 23,566,607	$ 25,256,088	$ 25,264,303
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	$ 29,584,921	$ 29,489,204	$ 30,438,942	$ 31,851,856	$ 33,214,994	$ 28,069,938	$ 43,280,673
Restricted	(A)	(A)	(A)	-	-	-	-	-	-	-
Unrestricted	(A)	(A)	(A)	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335	22,481,842
Total Business-Type Activities Net assets				$ 46,555,676	$ 46,019,075	$ 50,061,192	$ 55,139,835	$ 60,473,215	$ 64,108,273	$ 65,762,515
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	(A)	(A)	$ 37,578,283	$ 36,456,900	$ 41,750,048	$ 43,966,038	$ 46,052,436	$ 43,245,004	$ 57,018,038
Restricted	(A)	(A)	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209
Unrestricted	(A)	(A)	(A)	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839	33,731,571
Total Primary Government Net Assets				$ 64,686,730	$ 64,864,563	$ 71,445,262	$ 78,014,575	$ 84,039,822	$ 89,364,361	$ 91,026,818

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

THE CITY OF HENDERSONVILLE · N.C.
1847

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses										
Governmental Activities:										
General Government	(A)	(A)	(A)	$ 1,317,680	$ 1,361,553	$ 1,598,443	$ 1,590,212	$ 1,768,990	$ 2,047,039	$ 2,043,475
Public Safety	(A)	(A)	(A)	4,407,809	4,588,455	4,876,373	4,960,503	5,248,972	5,904,878	6,046,707
Environmental Protection	(A)	(A)	(A)	422,214	8,300	5,000	5,000	-	-	-
Economic and Physical Development	(A)	(A)	(A)	135,462	221,752	192,117	180,915	365,940	239,525	342,472
Transportation	(A)	(A)	(A)	1,555,299	1,286,798	1,438,031	1,191,132	1,583,224	1,582,437	1,928,695
Parks and Drainage	(A)	(A)	(A)	-	373,535	251,391	488,727	464,033	515,024	799,405
Cultural and Recreation	(A)	(A)	(A)	53,781	107,953	429,747	133,574	161,687	220,864	197,333
Interest on Long-Term Obligations	(A)	(A)	(A)	118,693	206,646	230,441	215,476	211,358	186,416	232,634
Total Governmental Activities Expenses	(A)	(A)	(A)	8,010,938	8,154,992	9,021,543	8,765,539	9,804,204	10,696,183	11,590,721
Business-Type Activities:										
Water and Sewer Fund	(A)	(A)	(A)	8,012,256	11,174,479	8,803,851	8,925,895	9,349,299	10,498,295	12,040,335
Solid Waste Fund	(A)	(A)	(A)	748,061	775,301	867,522	989,812	948,235	965,119	671,189
Total Business-Type Activities Expenses	(A)	(A)	(A)	8,760,317	11,949,780	9,671,373	9,915,707	10,297,534	11,463,414	12,711,524
Total Primary Government Expenses	(A)	(A)	(A)	$ 16,771,255	$ 20,104,772	$ 18,692,916	$ 18,681,246	$ 20,101,738	$ 22,159,597	$ 24,302,245
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	(A)	(A)	(A)	$ 177,147	$ -	$ -	$ -	$ -	$ -	$ -
Public Safety	(A)	(A)	(A)	41,808	190,437	142,305	161,804	133,358	159,579	154,633
Transportation	(A)	(A)	(A)	48,028	56,448	43,707	59,204	73,357	70,791	72,426
Parks an Drainage	(A)	(A)	(A)	-	41,960	18,850	21,030	21,350	23,450	17,850
Cultural and Recreational	(A)	(A)	(A)	27,735	-	49,818	84,178	101,780	119,147	145,221
Other Activities	(A)	(A)	(A)	6,680	-	-	-	-	-	-
Operating Grants and Contributions	(A)	(A)	(A)	788,801	638,783	673,487	509,555	410,529	497,857	511,908
Capital Grants and Contributions	(A)	(A)	(A)	282,806	32,029	1,653,745	726,529	162,159	178,328	214,998
Total Governmental Activities Program Revenues	(A)	(A)	(A)	1,373,005	959,657	2,581,912	1,562,300	902,533	1,049,152	1,117,036
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	(A)	(A)	(A)	8,750,588	10,174,684	11,471,824	12,586,225	13,112,540	12,846,457	12,040,335
Other Activities	(A)	(A)	(A)	338,918	323,079	347,044	507,746	530,470	543,892	671,189
Operating Grants and Contributions	(A)	(A)	(A)	1,132,700	-	-	-	-	-	-
Capital Grants and Contributions	(A)	(A)	(A)	2,894,789	140,452	648,545	660,761	-	-	-
Total Business-Type Activities Program Revenues	(A)	(A)	(A)	13,116,995	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349	12,711,524
Total Primary Government Program Revenues	(A)	(A)	(A)	$ 14,490,000	$ 11,597,872	$ 15,049,325	$ 15,317,032	$ 14,545,543	$ 14,439,501	$ 13,828,560

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net (Expense)/Revenue										
Governmental Activities	(A)	(A)	(A)	$ (6,637,933)	$ (7,195,335)	$ (6,439,631)	$ (7,203,239)	$ (8,901,671)	$ (9,647,031)	$(10,473,685)
Business-Type Activities	(A)	(A)	(A)	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935	-
Total Primary Government Net (Expense)/Revenue	(A)	(A)	(A)	$ (2,281,255)	$ (8,506,900)	$ (3,643,591)	$ (3,364,214)	$ (5,556,195)	$ (7,720,096)	$(10,473,685)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	(A)	(A)	$ 4,625,261	$ 5,179,522	$ 5,339,275	$ 5,496,362	$ 5,803,316	$ 6,691,670	$ 6,674,560
Sales & Use Tax	(A)	(A)	(A)	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827
Other Taxes	(A)	(A)	(A)	85,549	79,741	76,151	79,707	76,478	80,352	88,077
Unrestricted Intergovernmental Revenue	(A)	(A)	(A)	740,955	847,401	874,925	912,419	981,492	1,157,165	1,321,124
Restricted Intergovernmental Revenue	(A)	(A)	(A)	983,607	785,731	2,390,042	1,320,271	658,093	699,273	744,405
Permits and Fees	(A)	(A)	(A)	73,840	82,210	67,867	169,562	143,643	35,510	18,252
Sales and Services	(A)	(A)	(A)	88,293	104,708	117,725	170,312	200,012	217,213	237,772
Investment Earnings	(A)	(A)	(A)	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049
Miscellaneous	(A)	(A)	(A)	139,265	123,661	273,129	389,192	66,171	141,330	290,705
Total Governmental Activities	(A)	(A)	(A)	8,717,283	9,482,491	11,815,032	11,709,130	11,767,279	12,490,745	11,892,771
Business-Type activities:										
Investment Earnings	(A)	(A)	(A)	466,087	119,052	295,222	511,490	699,364	867,850	191,425
Transfers	(A)	(A)	(A)	-	100,880	100,880	100,880	875,880	100,880	100,880
FEMA Settlement	(A)	(A)	(A)	-	-	66,312	-	-	-	-
Sale of Fixed Assets	(A)	(A)	(A)	-	-	821,550	4,150	100	-	-
Miscellaneous	(A)	(A)	(A)	65,290	53,475	19,427	16,220	5,678	4,680	29,639
Total Business-Type Activities	(A)	(A)	(A)	531,377	273,407	1,303,391	632,740	1,581,022	973,410	321,944
Total Primary Government	(A)	(A)	(A)	9,248,660	9,755,898	13,118,423	12,341,870	13,348,301	13,464,155	12,214,715
Change in Net Assets:										
Governmental Activities	(A)	(A)	(A)	2,079,350	2,287,156	5,375,401	4,505,891	2,865,608	2,843,714	1,419,086
Business-Type Activities	(A)	(A)	(A)	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345	321,944
Total Primary Government	(A)	(A)	(A)	$ 6,967,405	$ 1,248,998	$ 9,474,832	$ 8,977,656	$ 7,792,106	$ 5,744,059	$ 1,741,030

(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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	$ 1,859,397	$ 2,161,581	$ 2,004,317	$ 1,736,698	$ 1,818,166	$ 2,662,611	$ 2,154,351	$ 1,792,483	$ 1,918,643	$ 2,024,160
Unreserved	4,030,755	4,694,021	4,920,813	3,830,757	4,753,483	4,164,195	5,901,729	6,949,231	6,005,467	6,128,738
Total General Fund	$ 5,890,152	$ 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
All Other Governmental Funds										
Reserved										
Capital Projects Fund	-	-	-	-	-	-	-	1,113,900	502,760	351,070
Non- Major Funds	-	-	-	-	-	-	-	2,432	2,141	8,914
Unreserved, Reported In:										
Special Revenue Funds	5,038,172	5,329,658	4,659,931	4,501,330	3,765,904	3,364,194	2,916,977	1,162,212	1,669,702	1,333,042
Capital Projects Funds	668,000	570,837	259,384	337,364	281,985	278,462	273,319	269,116	207,018	2,022,107
Non-Major Funds	-	-	-	-	-	-	-	56,840	356,361	221,789
Other Fund Types	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	$ 5,706,172	$ 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

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

THE CITY OF HENDERSONVILLE · N.C.
1847

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes by Source:										
Property Tax	$ 3,959,460	$ 4,163,104	$ 4,228,198	$ 4,477,569	$ 5,002,199	$ 5,156,941	$ 5,309,803	$ 5,622,415	$ 6,440,245	$ 6,431,603
Sales Tax	1,611,561	1,697,067	1,740,809	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827
Other Taxes	67,883	74,076	82,865	85,549	79,741	76,151	79,707	76,478	80,352	88,077
Unrestricted Intergovernmental	1,147,367	1,222,055	489,289	822,455	847,401	874,925	912,419	981,492	1,157,165	1,217,924
Restricted Intergovernmental	743,859	426,854	541,484	475,314	483,818	1,492,386	1,092,028	472,435	588,395	509,680
Permits and Fees	53,055	61,433	65,156	73,840	82,210	67,867	169,562	143,643	35,510	18,252
Sales and Services	103,432	91,432	103,129	88,293	104,708	117,725	170,312	200,012	217,213	237,772
Investment Earnings	390,911	417,421	152,156	91,611	51,887	176,604	501,524	919,238	717,518	164,320
Miscellaneous	75,710	242,625	77,238	139,265	123,661	273,129	105,680	66,171	81,330	169,119
Total Revenues	$ 8,153,238	$ 8,396,067	$ 7,480,324	$ 8,083,028	$ 8,966,848	$ 10,643,142	$ 10,892,299	$ 11,239,049	$ 11,904,221	$ 11,095,574
Expenditures										
Current:										
General Government	1,117,279	1,356,247	1,320,254	1,439,074	1,327,880	2,154,392	1,543,951	1,695,560	2,048,160	1,946,835
Public Safety	4,587,059	3,572,098	3,730,098	3,959,838	4,548,748	4,556,815	4,530,075	5,426,100	5,556,863	5,879,051
Transportation	1,751,781	1,238,930	1,442,117	2,120,689	1,010,873	2,377,499	2,260,783	1,758,683	1,780,266	1,570,766
Park Maintenance & Drainage	310,778	449,063	342,621	413,026	383,006	490,495	567,525	469,048	1,083,802	515,269
Cultural and Recreation	22,902	24,795	32,965	53,781	54,132	153,736	133,574	161,687	220,864	323,941
Capital Outlay -- See Capital Asset Expenditures on Next Page										
Debt Service:										
Principal	219,778	235,078	239,827	243,940	359,283	471,026	475,296	323,333	323,333	323,333
Interest and Fees	135,630	146,566	130,504	120,648	180,429	234,207	218,542	214,108	189,739	207,856
Total Expenditures	$ 8,145,207	$ 7,022,777	$ 7,238,386	$ 8,350,996	$ 7,864,351	$ 10,438,170	$ 9,729,746	$ 10,048,519	$ 11,203,027	$ 10,767,051
Excess of Revenues Over (Under) Expenditures	$ 8,031	$ 1,373,290	$ 241,938	$ (267,968)	$ 1,102,497	$ 204,972	$ 1,162,553	$ 1,190,530	$ 701,194	$ 328,523

CITY OF HENDERSONVILLE, NORTH CAROLINA

(CONTINUED)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other Financing Proceeds of Debt - GO Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,100,000
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	-	-	-	-
Operating Tranfers From (To) Other Funds:										
Enterprise Fund: Solid Waste Fund	(351,980)	(383,460)	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)	(292,058)
Water and Sewer Fund	(100,880)	(100,880)	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	-	-	529,050	-	-	-	-
Seventh Avenue Tax District	-	-	-	-	-	-	(5,300)	-	-	-
	-	-	-	-	-	(328,200)	243,651	-	-	-
Capital Projects Fund - City Hall Renov	-	-	796,717	1,190,000	516,417	1,341,600	542,630	1,527,160	865,000	552,760
Capital Reserve Fund	(667,126)	-		(1,034,447)		(742,675)	-	(743,516)	(870,323)	-
Capital Reserve Fund	-	-	-	-	-	-	-	-	-	(45,084)
Capital Projects Fund - Wash Creek Project	-	-	-	-	-	-	-	-	(175,000)	(114,297)
Capital Projects Fund - SkatePark	-	-	-	-	-	(72,000)	-	-	-	-
Special Revenue Fund - Homeland Security	-	-	-	-	-	-	-	-	(202,000)	-
Greenways Phase II Grant Fund	-	-	-	-	-	-	-	-	-	75,000
Downtown Tax District	(20,000)	(20,000)	(10,000)	-	-	-	-	-	(494,805)	(110,677)
Downtown Tax District	4,000	4,000	3,370	-	-	-	-	-	-	(64,500)
Seventh Avenue Tax District	-	-	-	-	-	-	-	-	-	-
Operating Transfers: Law Enforcement	20,000	20,000	20,000	20,000	-	-	-	-	-	-
Profit Distribution	58,808	72,500	78,000	81,500	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Contingencies Budgeted	-	-	-	-	-	-	(542,558)	(686,800)	133,482	(901,058)
Fund Balance Appropriated										
Total Other Financing Sources (Uses)	(1,057,178)	(407,840)	(172,410)	(988,207)	(98,303)	50,185	(475,837)	(1,191,696)	(1,385,316)	1,099,206
Net Change in Fund Balances	(1,049,147)	965,450	69,528	(1,256,175)	1,004,194	255,157	686,716	(1,166)	(684,122)	1,427,729
Capital Asset Expenditures	1,510,069	722,899	551,358	1,287,849	471,881	2,137,410	$ 1,002,507	$ 885,691	$ 1,294,303	$ 638,982
Debt Service as a Percentage of Noncapital Expenditures	5.4%	6.1%	5.5%	5.2%	7.3%	8.5%	8.0%	5.9%	5.2%	5.2%

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					
2000	$ 78,660,889	$ 651,031,956	$ 64,024,888	$ 96,846,990	$ 2,507,390	$ 888,057,333	0.45	$ 925,445,324	96.0%
2001	102,296,773	659,375,350	58,557,111	105,331,045	2,507,390	923,052,889	0.45	1,085,994,457	85.0%
2002	108,593,246	664,342,693	65,713,556	111,626,793	2,634,510	947,641,778	0.45	1,089,243,022	87.0%
2003	134,644,830	687,389,458	64,149,556	113,360,767	4,045,011	995,499,600	0.45	1,000,803,860	99.5%
2004	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%

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates:										
Basic Rate	$ 0.450	$ 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	0.450	0.430	0.430	0.430	0.430	0.380	0.380
County Rates:										
Henderson County	0.500	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	0.250	0.270	0.250	0.270	0.270	0.270	0.270	0.270
Town of Laurel Park	0.310	0.310	0.310	0.310	0.300	0.310	0.310	0.335	0.270	0.270
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	0.060	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	0.120	0.115	0.115	0.115	0.115	0.115
Special Purpose District Rates:										
Downtown Tax District	0.250	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	0.100	0.080	0.080

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2009

UNAUDITED

	2009			2000		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	$ 24,729,349	1	1.43%	$ 12,600,840	2	1.89%
Wal-Mart, Inc.	22,289,991	2	1.29%	6,449,990	9	0.97%
Boyd L. Hyder	17,925,800	3	1.04%	8,080,500	7	1.21%
Highland Investors, LLC	15,695,290	4	0.91%	4,158,900		
Lowe's of Hendersonville	13,467,083	5	0.78%	6,188,390	10	0.93%
First Citizens Bank	13,121,575	6	0.76%	10,621,040	5	1.59%
Home Depot	11,972,965	7	0.69%	-		
Blue Ridge Mall, LTD	11,901,971	8	0.69%	13,462,000	1	2.02%
Henderson Crossing Shopping Center	11,432,500	9	0.66%	5,056,625		
Triangle Real Estate, Inc.	11,383,100	10	0.66%	-		
Duke Energy	-			7,886,698	6	1.18%
BellSouth	-			12,103,024	3	1.82%
Robert D. Williams	-			6,984,900	8	1.05%
Carolina Village Inc.	-			10,990,420	4	1.65%
Totals	$ 153,919,624		8.93%	$ 95,367,802		14.32%

Source: Henderson County Tax Assessor's Office.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2000	$ 3,586,605	$ 121,541	$ 3,708,146	$ 3,603,215	97.2%	$ 75,520	$ 3,678,735	99.2%
2001	3,552,150	338,081	3,890,231	3,785,365	97.3%	121,223	3,906,588	100.4%
2002	3,781,531	182,146	3,963,677	3,866,099	97.5%	121,256	3,987,355	100.6%
2003	3,896,307	299,574	4,195,881	4,070,731	97.0%	154,817	4,225,548	100.7%
2004	4,281,731	407,473	4,689,204	4,593,772	98.0%	113,760	4,707,532	100.4%
2005	4,636,382	118,923	4,755,305	4,667,594	98.2%	188,897	4,856,491	102.1%
2006	4,826,530	161,133	4,987,663	4,891,685	98.1%	124,677	5,016,362	100.6%
2007	5,019,939	209,399	5,229,338	5,130,561	98.1%	103,894	5,234,455	100.1%
2008	5,952,337	490,571	6,442,908	6,314,694	98.0%	103,990	6,418,684	99.6%
2009	$ 6,071,297	$ 488,524	$ 6,559,821	$ 6,335,116	96.6%	$ 72,857	$ 6,407,973	97.7%

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			
2000	$ 1,620,000	$ -	$ 830,868	$ 3,170,000	$ -	$ 2,555,429	$ 8,176,297	352.8%	824
2001	1,530,000	-	706,595	2,855,000	-	3,871,474	8,963,069	359.9%	859
2002	1,440,000	-	576,958	2,545,000	-	16,712,505	21,274,463	798.2%	1,891
2003	1,350,000	-	441,727	2,240,000	-	15,624,173	19,655,900	697.5%	1,705
2004	1,260,000	-	3,682,989	1,940,000	-	14,602,260	21,485,249	735.6%	1,839
2005	1,170,000	-	3,301,962	1,645,000	-	13,453,812	19,570,774	645.8%	1,617
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306	17,644,973	561.1%	1,442
2007	990,000	-	2,683,333	1,070,000	-	11,120,362	15,863,695	483.1%	1,269
2008	900,000	-	2,450,000	790,000	-	19,791,377	23,931,377	703.8%	1,877
2009	$ 2,910,000	$ -	$ 2,216,667	$ 520,000	$ -	$ 18,154,326	$ 23,800,993	684.1%	$ 1,831

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
2000	$ 1,620,000	$ -	$ 1,620,000	0.18%	$ 163
2001	1,530,000	-	1,530,000	0.14%	147
2002	1,440,000	-	1,440,000	0.13%	128
2003	1,350,000	-	1,350,000	0.13%	117
2004	1,260,000	-	1,260,000	0.10%	108
2005	1,170,000	-	1,170,000	0.09%	97
2006	1,080,000	-	1,080,000	0.07%	88
2007	990,000	-	990,000	0.06%	79
2008	900,000	-	900,000	0.05%	71
2009	$ 2,910,000	-	$ 2,910,000	0.17%	$ 224

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, 2009

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City:			
City of Hendersonville	$ 2,910,000	100.0%	$ 2,910,000
County:			
Henderson County	1,060,000		1,060,000
Subtotal, Overlapping Debt			1,060,000
City of Hendersonville Direct			5,126,667
Total Direct and Overlapping Debt			$ 6,186,667

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'stotal 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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	71,255,007	74,044,822	76,022,075	79,963,569	92,704,661	94,435,205	99,398,940	105,156,160	$ 135,967,448	$ 137,930,016
Total Net Debt Applicable to Debt Limit	6,971,297	19,570,447	20,297,233	18,670,282	20,623,408	18,967,255	18,003,776	15,518,820	23,741,378	23,718,992
Legal Debt Margin	64,283,710	54,474,375	55,724,842	61,293,287	72,081,253	75,467,950	81,395,164	89,637,340	$ 112,226,070	$ 114,211,024
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	9.8%	26.4%	26.7%	23.3%	22.2%	20.1%	18.1%	14.8%	17.5%	17.2%

Legal Debt Margin Calculation for Fiscal Year 2009

Total Assessed Value	$ 1,724,125,200
Debt Limit (8% of Total Assessed Value)	137,930,016
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	20,370,992
Total Bonded Debt	3,430,000
Less: Water Bonds Outstanding	(82,000)
Total Amount of Debt Applicable to Debt Limit	23,718,992
Legal Debt Margin	$ 114,211,024

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) City Population	(2) County Population	(3) Personal Income (000's)	(4) Per Capita Personal Income	(5) School Enrollment	(6) County Unemployment Rate	(7) State Unemployment Rate	(8) U.S. Unemployment Rate
2000	9,920	87,621	$ 2,317,400	$ 26,448	11,215	2.1%	3.6%	4.2%
2001	10,430	89,649	2,490,629	27,923	11,257	3.0%	5.1%	4.5%
2002	11,252	91,544	2,665,395	27,469	11,423	4.0%	6.8%	5.9%
2003	11,530	92,988	2,817,908	27,689	11,574	3.8%	6.7%	6.2%
2004	11,682	94,496	2,920,871	28,958	11,918	3.1%	5.4%	5.7%
2005	12,106	96,124	3,030,309	30,440	12,292	4.5%	5.3%	5.0%
2006	12,237	97,792	3,144,599	32,431	12,578	3.4%	4.6%	4.8%
2007	12,499	100,107	3,283,409	32,799	13,134	3.9%	4.9%	4.5%
2008	12,747	102,142	3,400,409	33,291	13,322	4.7%	6.2%	5.7%
2009	12,997	103,855	3,479,142	33,500	13,325	9.4%	11.0%	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 2007 & 2008
(5) Henderson County Public Schools
(6) Employment Security Commission
(7) Employment Security Commission
(8) Employment Security Commission

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	2009			2000		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,683	1	13.47%	1,100	2	11.09%
Pardee Hospital	1,360	2	10.88%	900	3	9.07%
Park Ridge Hospital	766	3	6.13%	450	9	4.54%
Wilsonart International	740	4	5.92%	750	4	7.56%
General Electric Lighthing	725	5	5.80%	1,100	1	11.09%
Arvin-Meritor	700	6	5.60%	550	6	5.54%
Steelcase, Incorporated	680	7	5.56%	680	5	7.13%
Wal-Mart	675	8	5.40%	-		
Ingles	653	9	5.22%	-		
Henderson County Government	650	10	5.20%	550	7	5.77%
Eaton Corporation	650	11	5.31%	435	10	4.56%
Continental Tevis	522	12	4.18%	-		
Kyocera Engineering	500	13	4.09%	-		
Kimberly-Clark Corporation	265	14	2.17%	500	8	5.24%
Totals	10,569		84.92%	7,015		71.59%

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities										
General Government:										
Administration	6	6	4	4	4	3	3	3	3	3
Finance	6	4	4	4	4	12	12	12	12	12
Support Services	3	3	4	8	10	10	10	10	10	11
Public Safety:										
Police	46	45	45	45	45	45	45	50	50	50
Fire	17	17	17	17	17	17	17	17	17	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	4	3	3	3	3	3
Streets & Highways	7	7	7	7	7	7	7	7	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	30	29	29	29	31	31
Business-Type Activities										
Water and Sewer Fund	76	76	78	78	74	66	66	67	67	68
Solid Waste Fund	10	10	10	10	10	10	10	10	10	10
Total	194	191	192	196	194	192	192	198	200	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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Building Permits Issued:										
Residential	378	203	307	348	141	244	235	163	92	106
Commercial	100	240	192	95	101	111	99	80	50	76
Public Safety - Police										
Physical Arrests	2,501	2,379	1,833	1,690	1,979	2,173	2,177	2,736	2,735	2,175
Traffic Violations	2,342	2,013	2,346	2,233	2,861	2,628	2,685	3,631	3,624	3,815
Parking Violations	2,530	3,445	4,362	3,799	3,854	2,353	2,313	2,353	2,358	2,317
Public Safety - Fire										
Number of Fire Calls Answered	1,205	1,122	1,223	1,377	1,478	1,629	1,617	1,703	1,899	1,871
Inspections Conducted	1,080	152	219	205	509	601	620	548	534	1,066
Water										
Number of Service Connections	19,158	19,688	20,492	21,196	21,832	23,105	23,650	24,300	25,301	25,471
Average Daily Production in Gallons	6,868,000	6,968,000	7,122,000	7,262,000	7,239,000	6,455,000	6,956,000	6,870,000	6,660,000	5,885,000
Sewer										
Number of Service Connections	5,483	5,793	6,333	6,647	6,846	7,608	7,700	8,000	8,051	8,118
Average Daily Treatment in Gallons	2,632,000	2,933,000	2,502,000	3,370,000	3,250,000	3,039,000	2,632,000	2,786,000	2,435,000	2,410,000
Solid Waste										
Refuse Collected (Tons per Year)	4,343	4,381	4,513	4,693	4,745	4,774	4,605	4,501	4,324	4,152
Recycling Collections (Tons per Year)	517	520	543	594	563	603	708	1,354	1,021	1,083
Cable TV Subscribers										
City	-	2,586	2,494	2,167	2,019	2,024	3,639	3,336	3,338	3,215
County	-	18,127	17,646	15,483	14,283	13,669	11,639	10,405	10,411	10,026
Flat Rock	-	1,602	1,667	1,619	1,590	1,575	1,288	1,186	1,187	1,143
Fletcher	-	2,297	2,263	2,200	2,001	1,799	1,409	1,260	1,261	1,214
Laurel Park	-	961	960	898	895	898	881	806	806	776
Mills River	-	-	-	-	-	670	1,046	953	953	918
Total Subscribers	-	25,573	25,030	22,367	20,788	20,635	19,902	17,946	17,956	17,292

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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Hendersonville										
Public Facilities/Buildings	4	4	4	4	4	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	30	34	34	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)	57.40	58.70	58.70	59.10	59.10	60.51	62.95	65.04	65.03	65.04
Street Lights	1,468	1,469	1,469	1,469	1,471	1,575	1,580	1,587	1,587	1,617
Parks and Recreation										
Parks Acreage	99	99	99	99	99	99	99	99	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	7	7	7	7	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	4	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	525	528	549	556	574	585	590	595	560	578
Fire Hydrants	1,595	1,892	2,001	2,024	2,062	2,120	2,135	2,140	2,233	2,359
Sewer										
Sanitary Sewers (Miles)	110	117	131	135	148	153	154	154	160	165
Storm Sewers (Miles)	25	25	25	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.

COMPLIANCE SECTION

CARLAND & ANDERSEN
INCORPORATED
CERTIFIED PUBLIC ACCOUNTANTS

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

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

307 NORTH CHURCH STREET
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and
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, 2009, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 24, 2009. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, as 2009-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency referred to above we consider to be a material weakness.

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, 2009.

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

November 24, 2009 Carroll & Anderson Incorporated

CARLAND & ANDERSEN
INCORPORATED
CERTIFIED PUBLIC ACCOUNTANTS

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

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

307 NORTH CHURCH STREET
HENDERSONVILLE, NORTH CAROLINA 28792

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Report On 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 the compliance of the City of Hendersonville, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2009. 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 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 to 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 compiled, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of management, others within the organization, members of the 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, 2009 Carr, Riggs & Ingram, LLC

CITY OF HENDERSONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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 one material weakness over financial reporting.

C. Our audit of the basic financial statements disclosed one instance of noncompliance with laws, regulations and the provisions of contracts and grant agreements that was 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 program.

E. An unqualified opinion was issued on the City of Hendersonville's compliance with the types of compliance requirements applicable to its major State program.

F. Our audit disclosed no audit findings which relate to State awards that are required to be reported in accordance with Section 510 (a) of Circular A-133.

G. The Major State program for the City of Hendersonville for the fiscal year ended June 30, 2009 is:

Program Name

Powell Bill Program

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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

The City of Hendersonville had one finding and no questioned costs related to the audit of its Basic Financial Statements for the fiscal year ended June 30, 2009.

Finding # 2009-1

The City has expenditures in excess of the project authorization in the amount of $28,053 in the SkateBoard Park Construction Project Fund.

The City has expenditures in excess of the authorized budget in the amount of $2,475,953 in the Water and Sewer Fund.

It is the responsibility of management and the Board to review budget reports to ensure that expenditures do not exceed project appropriations. In these instances, a number of software updates had caused a parameter of the purchasing module of the budgetary reporting software to carry over previous year budget amounts associated with unliquidated purchase orders. This caused the City's financial reporting system to show budgeted appropriations in excess of those actually approved by the City Council.

The City agrees with this finding and will more closely monitor the budget reports to ensure that the reported budget is the budget and amendments which have been adopted by the City Council.

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

The City of Hendersonville had no findings or questioned costs related to the audit of State awards for the fiscal year ended June 30, 2009.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

IV. Corrective Action Plan for 2009 Finding

The City's Finance Department has already identified the parameter in the purchase order processing software which led to the unintended budget increases, and taken corrective action to prevent the situation from taking place again.

V. Summary schedule of prior year audit findings

The City of Hendersonville had no findings or questioned costs related to the audit of federal or state awards for the previous three fiscal years.

CITY OF HENDERSONVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	State / Passthrough Grantor's No.	Federal/ Direct and Passthrough Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
U. S. Department of Transportation					
Passthrough N. C. Dept. of Transportation					
Governor's Highway Safety Program	206.05	42589.3.2	$ 38,601		
Governor's Highway Safety Program	206.09	58000.12.4	2,072		
U. S. Environmental Protection Agency					
Brightwater Subdivision Waterline Capital Project	66.202		292,577		$ 258,525
Total Cash Assistance - Federal Programs			$ 333,250		
State Grants:					
Cash Programs:					
N. C. Department of Environment and Natural Resources					
Wash Creek Stream Restoration Project		4G25-38		$ 89,053	45,084
N. C. Department of Health and Human Services					
Division of Public Health					
Childhood Obesity Prevention Project					
Passthrough Henderson County Health Department					
Passthrough Henderson County Partnership for Health					
Sidewalk Construction Capital Project				105,000	
N. C. Department of Transportation:					
Powell Bill Program		32570		327,389	
Total Cash Assistance - State Programs				$ 521,442	
Total Cash Assistance - All Programs			$ 333,250	$ 521,442	$ 303,609

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.