

COMPREHENSIVE ANNUAL FINANCIAL REPORT



***For the Fiscal Year Ended
June 30, 2011***

CITY OF HENDERSONVILLE NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
June 30, 2011**

**Prepared by:
Department of Finance**



CITY OF HENDERSONVILLE

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS

	PAGE NUMBER
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	22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Assets	26
Notes to the Financial Statements	27
Required Supplementary Information:	
Public Safety Employees Retirement System:	
Analysis of Funding Progress	55
Schedule of Employer Contributions	56
Other Post-employment Benefits:	
Analysis of Funding Progress	57
Schedule of Employer Contributions	58

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

	PAGE NUMBER
FINANCIAL SECTION - CONTINUED	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	59
Capital Reserve Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	65
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	68
Special Revenue Funds:	
Downtown Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	70
Seventh Avenue Tax District Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	71
Justice Assistance Grant - PICSIP Program Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	72
Justice Assistance Grant - Women and Children Education And Protection Program Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	73
FEMA - Assistance to Firefighters Program Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	74
Oakdale Cemetery Road Widening Project Grant Fund:	
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	75
Britton Creek Stormwater Master Plan Project Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Budget and Actual from Inception	76
Rails to Trails Project Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception	77

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

	PAGE NUMBER
FINANCIAL SECTION - CONTINUED	
Capital Projects Funds:	
Sidewalk Construction Project:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual from Inception.	78
East Side Fire Station Construction Project:	
Schedule of Revenues, Expenditures and Changes in Budget and Actual from Inception.	79
Main Street Infrastructure Improvements Construction Project:	
Schedule of Revenues, Expenditures and Changes in Budget and Actual from Inception.	80
Enterprise Funds:	
Solid Waste Fund:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP)	81
Water and Sewer Fund:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP)	82
Water and Sewer Capital Project Funds:	
Brightwater Heights Water System Project:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) from Inception	85
Water Treatment Plant Expansion Project:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) from Inception	86
Fresh Water Intake Construction Project:	
Schedule of Revenues and Expenditures - Budget and Actual (NON - GAAP) from Inception	87
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	88
Schedule by Function and Activity	89
Schedule of Changes by Function and Activity.	90
Fines and Forfeitures Agency Fund:	
Statement of Changes in Assets and Liabilities.	91

CITY OF HENDERSONVILLE

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS

**PAGE
NUMBER**

SCHEDULES SECTION:

General Fund:

Schedule of Ad Valorem Taxes Receivable	92
Analysis of Current Tax Levy -- City-Wide Levy	93
General Fund (Secondary Market Disclosure):	
Analysis of Current Tax Levy -- City-Wide Levy	94
Principal Taxpayers	95
Downtown Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable	96
Analysis of Current Tax Levy	97
Seventh Avenue Tax District Fund:	
Schedule of Ad Valorem Taxes Receivable	98
Analysis of Current Tax Levy	99
Schedule of Transfers - All Funds	100

STATISTICAL SECTION

Net Assets by Component	101
Changes in Net Assets	102
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds.	105
Assessed Value and Estimated Actual Value of Taxable.	107
Property Tax Rates - Direct and Overlapping Governments.	108
Principal Taxpayers.	109
Property Tax Levies and Collections.	110
Ratios of Outstanding Debt by Type.	111
Ratio of General Bonded Debt Outstanding.	112
Direct and Overlapping Governmental Activities Debt.	113
Legal Debt Margin Information	114
Demographic and Economic Statistics.	115
Principal Employers.	116
Full-time Equivalent City Government Employees by Function.	117
Operating Indicators by Function.	118
Capital Asset Statistics by Function.	119

CITY OF HENDERSONVILLE

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS

**PAGE
NUMBER**

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	120
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.	122
Schedule of Findings and Questioned Costs	124
Corrective Action Plan.	127
Summary Schedule of Prior Year Audit Findings.	128
Schedule of Expenditures of Federal and State Awards.	129



INTRODUCTORY SECTION



LETTER OF TRANSMITTAL



CITY COUNCIL:

BARBARA G. VOLK
Mayor
JEFF COLLIS
Mayor Pro Tem
STEVE CARAKER
JERRY A. SMITH, JR.
WM. RALPH FREEMAN, JR.

CITY OF HENDERSONVILLE

"The City of Four Seasons"

FINANCE DEPARTMENT
James W. Rudisill, Finance Director

OFFICERS:

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

November 28, 2011

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, 2011.

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, 2011, 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Hendersonville was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the city today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The city is the county seat of Henderson County and largest among five municipalities located within the County. As of June 30, 2011, the North Carolina Office of State Planning estimated the city's population to be 13,189.

The city encompasses an area of 6.80 square miles and is located on a mountain plateau 2,200 feet above sea level. Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 48 inches, average summer temperature of 71 degrees, average winter temperature of 39 degrees and average snowfall of 15 inches, Hendersonville is known as the "*City of Four Seasons*." This soubriquet was given to the city over 50 years ago by a local weatherman, the late Kermit Edney. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The city is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

The city has operated under the "**Manager-Council**" form of government since January 1994. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a four-member council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Clerk and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing heads of the City's departments. The council is elected on a nonpartisan basis.

The city is empowered by the Machinery Act of North Carolina to levy a property tax on both real and personal property located within its legal boundaries. The city also has the power to extend its corporate limits by annexation, which is done periodically when deemed necessary by the governing body. Annexation can be either voluntary or involuntary depending on the circumstances. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and water and sewer service to more than 65,000 people is provided by the city.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hendersonville operates.

Local economy. The economy of the area is sustained by the local government employment markets, community college system, agricultural production, and industries located within the county. Henderson County has a diversified economic environment with many different industrial and commercial companies augmented by a strong agricultural community. There are more than 100 manufacturing and industrial companies in the county that support the economy. Among the largest companies in the area are General Electric Lighting Systems, Inc., ITT Automotive, Selee Corporation, Wilsonart International, Eaton Corporation, Kimberly-Clark Corporation, Pardee Memorial Hospital, LeMan's Corporation, Park Ridge Hospital, Kyocera Industrial, and Arvin-Meritor Automotive. In 2010, manufacturers in Henderson County paid \$245 million in payroll, resulting in an average manufacturing wage that was an estimated 42 percent higher than the total average wage in the County. 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 65 percent of the apples grown in North Carolina on 6,000 acres of land and is the largest apple producer in the State with about 150 apple orchards. The mountain climate is conducive to producing excellent fruit color and flavor. Rome Beauty is the most widely grown apple variety, followed by Red and Golden Delicious. Winesap, Jonathans and Granny Smith types are also grown in addition to the newest varieties - Ginger Gold, Gala, Honey Crisp and Jonagolds.

Agriculture in Henderson County is more than just apple production. The county has more than 500 farms that produce milk and field crops in addition to livestock and horses. Henderson County is second in the state in ornamental plant production. VanWingerden Greenhouse Company, located in the county, is not only a major supplier of greenhouse products but also ranks high among the nation's top 100 growers. More than 20 greenhouses, 85 nurseries, 5 cut-flower farms and two sod farms produce an estimated 4,200 species of plants on about 4,000 acres of land. Henderson County is second in the state in ornamental plant production. It has exceeded apple production for the past ten years and is expected to continue to grow in the near future.

The organic farming of apples and vegetables is becoming an emerging market for wholesale and retail sales. In all its various forms, agricultural production means more than a \$100 million dollars to our local economy each year. Gross income for the past year totaled about \$60 million in farm gate sales with another \$50 million from the landscaping and ecosystem restoration sector. This sector should continue to prosper as more and more people become environmentally conscious.

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

Long-term financial planning. Undesignated and unreserved fund balance in the general fund equaled 76.3 percent of total general fund expenditures as of June 30, 2011. 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, 2011, totaled \$833,743.

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, 2011, totaled \$907,815.

Relevant financial policies . It is the City of Hendersonville's policy that "onetime" revenue resource inflows not be used for operating purposes. All funding received as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 was accounted for as per the reporting requirements in the act. All funding received from the North Carolina Department of Transportation was accounted for in the Sidewalk Improvement Fund. The balance of funding received in FY 2010-11 under the ARRA was accounted for as per the reporting requirements in the act. The amounts budgeted for these projects amounted to \$250,000 and \$221,799, respectively.

The organic farming of apples and vegetables is becoming an emerging market for wholesale and retail sales. In all its various forms, agricultural production means more than a \$100 million dollars to our local economy each year. Gross income for the past year totaled about \$60 million in farm gate sales with another \$50 million from the landscaping and ecosystem restoration sector. This sector should continue to prosper as more and more people become environmentally conscious.

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

Long-term financial planning. Undesignated and unreserved fund balance in the general fund equaled 76.3 percent of total general fund expenditures as of June 30, 2011. 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, 2011, totaled \$833,743.

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, 2011, totaled \$907,815.

Relevant financial policies . It is the City of Hendersonville's policy that "onetime" revenue resource inflows not be used for operating purposes. All funding received as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 was accounted for as per the reporting requirements in the act. All funding received from the North Carolina Department of Transportation was accounted for in the Sidewalk Improvement Fund. The balance of funding received in FY 2010-11 under the ARRA was accounted for as per the reporting requirements in the act. The amounts budgeted for these projects amounted to \$325,000 and \$392,760, respectively.

Major initiatives. The Water and Sewer Department substantially completed Phase I of the Raw Water Intake Project in FY 2010-11. This was a \$1.67 million project that began in FY 2009-10. During FY 2009-10 it was learned that the city would need to go to a higher level of water treatment requiring the installation of an ultraviolet disinfection process at the plant due to the presence of *Cryptosporidium* from agriculture runoff into the Mills River. This endeavor was originally estimated to cost \$2.315 million and be completed by September 30, 2012. The EPA and State compliance for the project has been changed to September 30, 2014.

The city currently has a Supervisory Control and Data Acquisition (SCADA) system that consists of both new and obsolete equipment and is in the process of upgrading the obsolete portion. This upgrade is scheduled to take place over a five year period that began in FY 2010-11. Total cost of this project is estimated to be \$1,699,000. The Water and Sewer Department has embarked on a mission to replace all existing water meters over the next ten years with Automated Meter Reading (AMR) technology. The goal of this effort is to improve the accuracy for billing and tracking water losses within the system.

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

In the Water and Sewer Fund this necessitated the delay of water system improvements on the east side of town and in the Etowah community to the north. Also affected was a sewer outfall planned for the east side of the system as well as the water and sewer line rehabilitation program. Loan and grant applications will be prepared in FY2012 for the Jackson Park Sewer Interceptor, Wolfpen Sewer Outfall, Shepherd Creek Sewer Outfall, and Atkinson Elementary Sanitary Sewer Improvements. These projects are scheduled for FY2013, FY2014, FY2015 and FY2015, respectively.

Some major equipment purchases and rehabilitation projects were shifted to future years. These included Patton Pool diving platforms, a 30 ton vehicle lift, and Sullivan Park building roof replacement. Management has been very careful in determining which equipment and rehabilitation projects that can be delayed for replacement in order not to create bigger problems in the future.

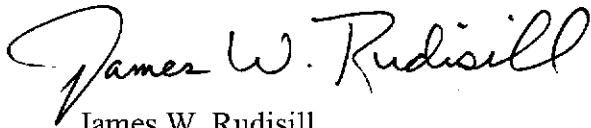
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010. This was the twenty-second consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

A handwritten signature in black ink that reads "James W. Rudisill". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James W. Rudisill
Finance Director

g:\myfiles\wpdocs\cafr2011.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, 2010

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.

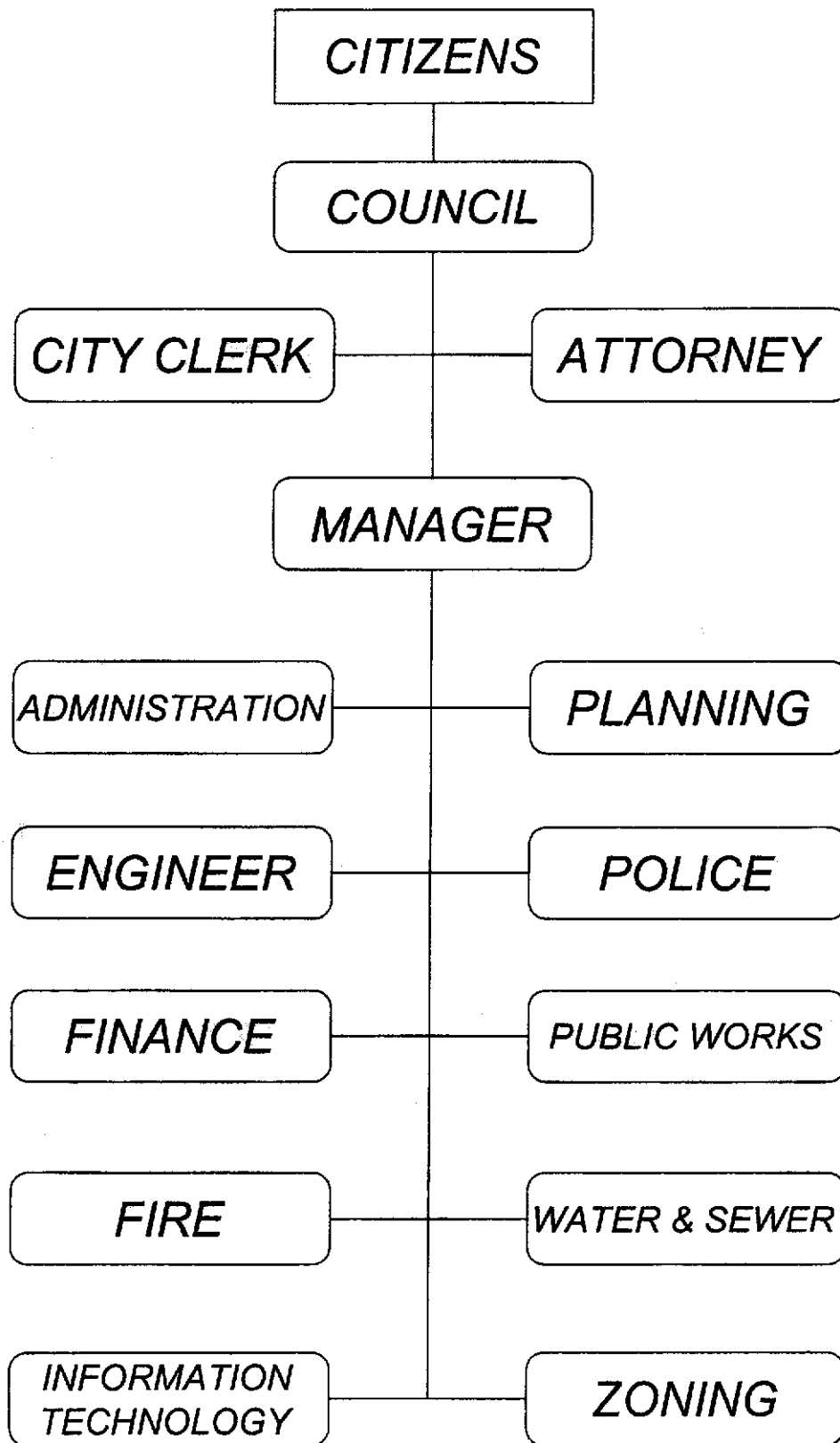


President

Executive Director

CITY OF HENDERSONVILLE

Organizational Chart



CITY OF HENDERSONVILLE OFFICIALS

CITY COUNCIL

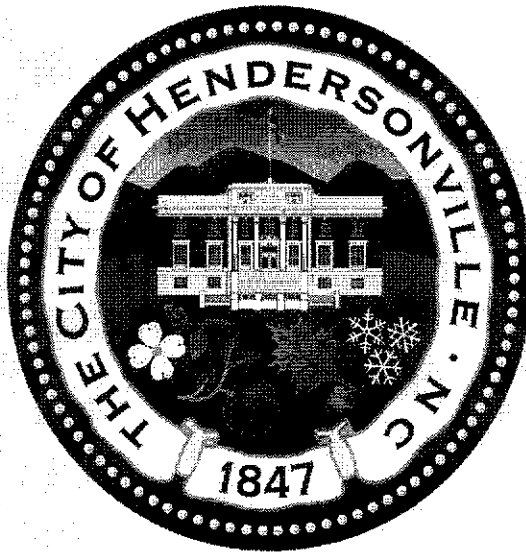
Mayor.....Barbara Volk

Mayor Pro-Tem.....Jeff Collis

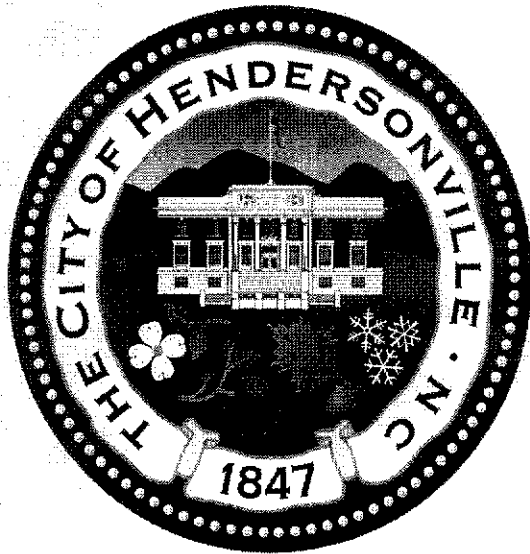
Steve Caraker
Jerry A. Smith, Jr.
Wm. Ralph Freeman, Jr.

CITY STAFF

City Manager W. Bowman Ferguson
City Clerk Tammie K. Drake
City Attorney. Sam H. Fritschner
Finance Director James W. Rudisill



FINANCIAL SECTION



**INDEPENDENT
AUDITORS' REPORT**



CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

F. T. Carland, CPA
Myra L. Davis, CPA
George B. Lee, CPA
Harold C. Reid, CPA

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, 2011 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 basic 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General 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, 2011 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. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions on pages 3 through 13 and pages 55 through 58, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carroll & Anderson Inc.

November 24, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hendersonville, we offer readers of Hendersonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. 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

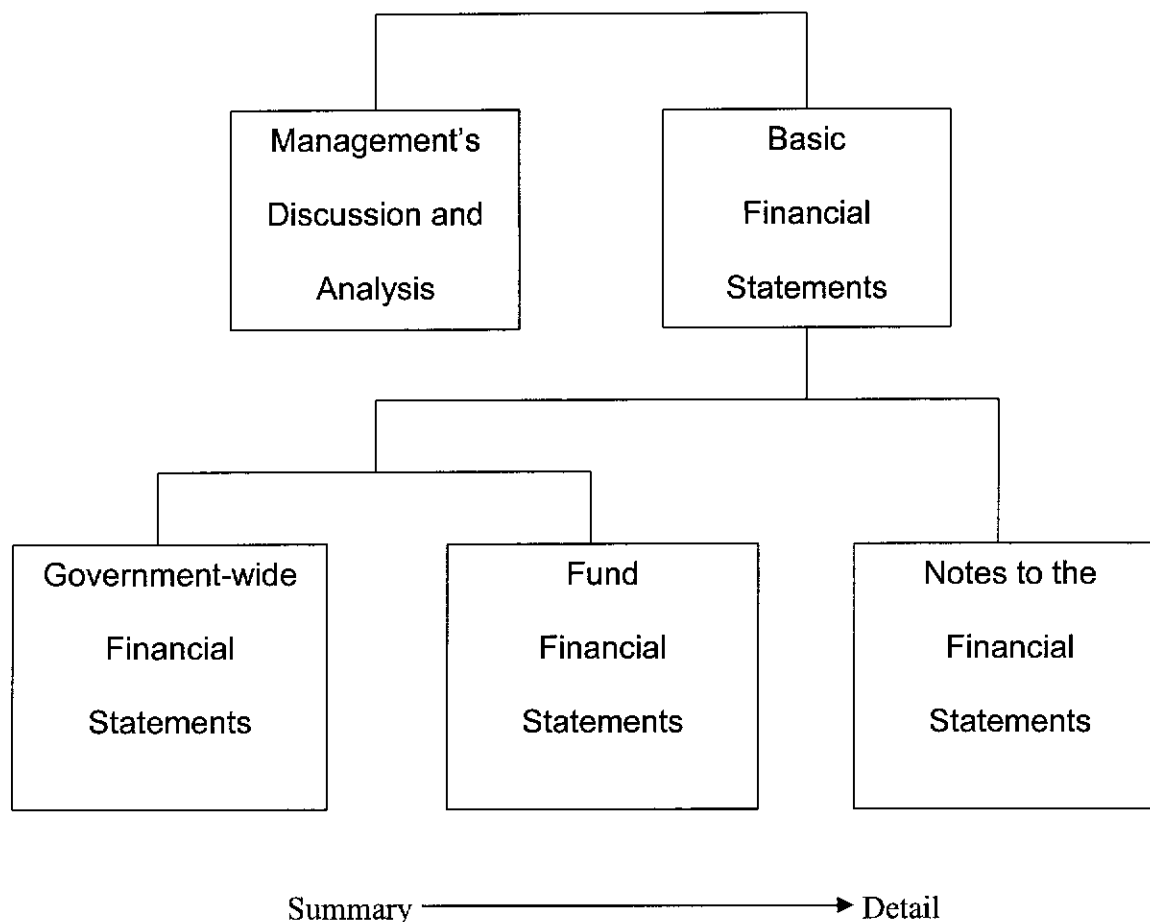
- The assets of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$96,670,584 (*net assets*).
- The government's total net assets *increased* by \$2,892,998 primarily due to an *increase* in the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,961,766 an *increase* of \$83,727 or 0.08 percent in comparison with the prior year. Approximately 63.2 percent of this total amount, or \$6,926,591, is available for spending at the government's discretion, i.e., (**unassigned fund balance**).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,022,022 or 65.9 percent of total general fund expenditures for the fiscal year.
- The City's total debt *decreased* by \$2,209,699 or 10.3 per cent 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 demonstrate 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. 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 an integral part of the fund financial statements.

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

Proprietary Funds – The City of Hendersonville utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Hendersonville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the *Statement of Net Assets and the Statement of Activities*. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 11,971,806	\$ 11,561,279	\$ 22,298,010	\$ 21,995,009	\$ 34,269,816	\$ 33,556,288
Capital assets	19,473,908	19,729,705	65,665,689	65,881,462	85,139,597	85,611,167
Total assets	31,445,714	31,290,984	87,963,699	87,876,471	119,409,413	119,167,455
Long-term liabilities outstanding	5,014,754	5,326,955	13,422,466	15,105,069	18,437,220	20,432,024
Other liabilities	1,342,113	994,361	2,959,496	3,963,484	4,301,609	4,957,845
Total liabilities	6,356,867	6,321,316	16,381,962	19,068,553	22,738,829	25,389,869
Net assets:						
Invested in capital assets, net of related debt	16,829,139	16,738,488	50,127,849	48,628,499	66,956,988	65,366,987
Restricted	3,047,565	171,898	-	-	3,047,565	171,898
Unrestricted	5,212,143	8,059,282	21,453,888	20,179,419	26,666,031	28,238,701
Total net assets	\$ 25,088,847	\$ 24,969,668	\$ 71,581,737	\$ 68,807,918	\$ 96,670,584	\$ 93,777,586

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 **\$96,670,584** as of June 30, 2011. Hendersonville's net assets *increased* by **\$2,892,998** for the fiscal year ended June 30, 2011. However, the largest portion (74.65) 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 (12.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of **\$26,666,031** (27.58%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of **97.03%** despite the economic turmoil of the past two years.
- NCDOT Street-Aid Allocation (Powell Bill) funds increased by **\$4,405**.
- Income from business licenses increased by **\$327,157** due to the change of collection from flat fee to gross receipts.
- Zoning permits fees were up **\$6,205** as compared to the prior year.
- Pool entrance fees and concessions were up **\$6,417** as compared to the prior year.
- ABC revenues were consistent with prior year collections.

Governmental Activities. Governmental activities increased the City of Hendersonville's net assets by \$119,179 due to an overall increase in revenue. Key elements of this decrease are as follows:

City of Hendersonville's Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 413,613	\$ 391,784	\$ 14,224,424	\$ 13,588,543	\$ 14,638,037	\$ 13,980,327
Operating grants & contributions	823,010	627,018	-	-	823,010	627,018
Capital grants and contributions	75,000	400,000	285,014	216,558	360,014	616,558
General revenues:						
Property taxes	6,967,097	6,850,657	-	-	6,967,097	6,850,657
Other taxes & fees	3,817,133	3,423,126	-	-	3,817,133	3,423,126
Grants & contributions not restricted to specific programs	164,813	162,700	-	-	164,813	162,700
Other revenue	95,776	114,757	(287,572)	41,060	(191,796)	155,817
Total revenues	12,356,442	11,970,042	14,221,866	13,846,161	26,578,308	25,816,203
Expenses:						
General government	2,152,324	2,181,689	-	-	2,152,324	2,181,689
Public safety	6,256,423	6,230,577	-	-	6,256,423	6,230,577
Transportation	2,155,725	1,869,352	-	-	2,155,725	1,869,352
Parks & drainage	642,849	223,094	-	-	642,849	223,094
Economic development	262,751	453,538	-	-	262,751	453,538
Culture and recreation	200,772	588,305	-	-	200,772	588,305
Interest on long-term debt	215,749	229,642	-	-	215,749	229,642
Water and sewer			10,784,165	10,278,199	10,784,165	10,278,199
Solid Waste			1,014,552	1,011,039	1,014,552	1,011,039
Total expenses	11,886,593	11,776,197	11,798,717	11,289,238	23,685,310	23,065,435
Inc. in net assets before transfers	469,849	193,845	2,423,149	2,556,923	2,892,998	2,750,768
Transfers	(350,670)	(488,480)	350,670	488,480		
Increase in net assets	119,179	(294,635)	2,773,819	3,045,403	2,892,998	2,750,768
Net assets, July 1	24,969,668	25,264,303	68,807,918	65,762,515	93,777,586	91,026,818
Net assets, June 30	\$ 25,088,847	\$ 24,969,668	\$ 71,581,737	\$ 68,807,918	\$ 96,670,584	\$ 93,777,586

- Other taxes revenues increased **\$396,007** over the prior year. Most of the increase was due to the change in methodology for determining privilege license fees.
- Other revenues decreased by **\$18,981**. The majority of the decrease was due to a drop in interest income on investments.

Business-type Activities: Business-type activities increased the City's net assets by **\$2,773,819** accounting for the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in operating revenues associated with a water and sewer fee rate adjustment.
- Increase in capital grants and contributions.
- 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, unassigned 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, unassigned fund balance of the General Fund was **\$7,022,022**, while total fund balance reached **\$9,202,096**. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 76.3 percent of total General Fund expenditures. Total fund balance increased due to the additional revenue received from privilege license fees.

At June 30, 2011, the governmental funds of the City of Hendersonville reported a combined fund balance of **\$10,961,766**, a slight 0.8% increase over last year. Included in this change in fund balance is an increase in the overall fund balance of the General Fund and a decrease in the Non-Major Funds. As explained earlier, the change in the methodology for collecting privilege license fees caused most of the increase in fund balance. Local option sales tax and utility franchise tax revenue increased by \$52,597; however, this was offset by a drop in revenue received from video programming fees, telecommunications sales tax and Alcohol Beverage Control profit distributions of \$31,139. The state of the economy continues to affect revenues that have, historically, been much higher from year to year, i.e., local option sales tax distributions and interest income from investments. Overall General Fund revenues were up when compared to last year by **\$412,711** or 3.74 percent. The Capital Reserve Fund decreased **\$312,378** due to a transfer to the General Fund for capital projects.

Expenditures in the General Fund were up when compared to last fiscal year by **\$163,386** or 1.56 percent. This majority of this increase was due to the overall increase in expenditures for public safety and public works. Spending for the Non-Major Funds was down by **\$91,135** or 4.92 percent. This decrease was due, in part, to less expenditure for capital projects. These funds are comprised of two municipal service districts and various operating grants relating to the Police, Fire, Public Works and Engineering Departments.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally speaking, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

- **\$245,472** operating transfer to the Capital Reserve Fund.
- **\$151,962** for the purchase of two CNG trucks for the Public Works Department.
- **\$100,000** contribution to the Flat Rock Playhouse.

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 **\$20,595,308**, and those for the Environmental Services Fund amounted to **\$635,335**. The total change in net assets for both funds was **\$2,700,648** and **\$73,171** 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, 2011, totaled **\$85,139,597** (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 **\$780,695**. (Equipment acquisition accounted for 26.5% of the total outlay.)
- Street paving, road repair and sidewalk maintenance totaled **\$308,311**.
- Police Department vehicles and equipment for a total cost of **\$103,402**. (Vehicle acquisition accounted for 75% of the total outlay.)
- Capital outlay improvements and equipment for Public Works totaling **\$84,074**.

City of Hendersonville's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,822,699	\$ 2,823,784	\$ 1,491,966	\$ 993,006	\$ 4,314,665	\$ 3,816,790
Buildings and systems	5,267,015	5,518,822	35,012,600	16,195,337	40,279,615	21,714,159
Improvements other than buildings	1,666,605	1,775,359	28,243,431	26,477,929	29,910,036	28,253,288
Machinery, equipment & software	457,188	482,557	395,556	216,133	852,744	698,690
Infrastructure	7,681,448	7,487,943	-	-	7,681,448	7,487,943
Vehicles and motorized equipment	1,578,953	1,641,240	522,136	614,913	2,101,089	2,256,153
Construction in progress	-	-	-	21,384,144	-	21,384,144
Total	\$ 19,473,908	\$ 19,729,705	\$ 65,665,689	\$ 65,881,462	\$ 85,139,597	\$ 85,611,167

Note: Capital assets are derived from the city's Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council.

Additional information on Hendersonville's capital assets can be found in *Note II-A* of the *Notes to the Financial Statements* on pages 38 and 39 for the Primary Government, and page 40 for the Alcohol Beverage Control Board which is classified as a Component Unit for the City of Hendersonville.

Long-term Debt. As of June 30, 2011, Hendersonville had total bonded debt outstanding of **\$2,630,000**. Of this total debt, the entire amount is 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	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 2,630,000	\$ 2,770,000	\$ -	\$ 255,000	\$ 2,630,000	\$ 3,025,000
Total	\$ 2,630,000	\$ 2,770,000	\$ -	\$ 255,000	\$ 2,630,000	\$ 3,025,000

The City of Hendersonville's total debt decreased by **\$2,209,699** or 10.3% during the past fiscal year, primarily due to principal and interest payments made on all outstanding debt without incurring any new financial obligation during Fiscal Year 2010-11.

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 **\$121,249,719**. The City did not issue any new debt related to bonds or installment contracts as of June 30, 2011.

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, 2011, 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** on pages **47-50** of the **Notes to the Financial Statements**.

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 **7.3%** was below the State average of **9.9%** as of June 30, 2011.
- 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, 2012

Governmental Activities: Property taxes were budgeted conservatively at a 0.86 percent increase based upon estimates provided to the City by the Henderson County tax assessor. Sales and Use tax revenue was budgeted at the same amount as last year. This is due to the state of the economy trying to rebound from the past financial crisis and economic meltdown that continues to affect our revenue collections. Overall, budgeted revenues are estimated to be about 1.0 percent or \$105,830 more than the prior year.

Budgeted expenditures in the General Fund are expected to increase by less than 1.0 percent, which represents an overall increase of \$96,330. Most of this increase is attributable to fuel cost in addition to an increase in debt service for Phase II of the Main Street Rehabilitation Project. Personnel and capital outlay budgeted amounts decreased over the prior year. Personnel amounts decreased due to several retirements of 30 year employees.

Business-type Activities: The water rates in the City will increase for all customer classifications. The majority of City residential customers will see about a 3.0% increase. Total water and sewer appropriations will decrease by 2.9% with the majority of the decrease being attributable to fewer funds budgeted for capital projects. Total operating costs will decrease slightly or .19 percent and personnel costs will remain about the same as the prior year.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, 145 Fifth Avenue East, Hendersonville, North Carolina 28792. *File: MSWORD Blank_MDA_City2011.1*

BASIC FINANCIAL STATEMENTS



CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,772,008	\$ 19,144,480	\$ 27,916,488	\$ 991,582
Receivables (net)				
Taxes	295,011		295,011	
Accounts	56,284	1,640,030	1,696,314	492
Grants	22,830	500,000	522,830	
Shared taxes	627,459	2,085	629,544	
Refundable taxes	104,736	161,112	265,848	
Due from component unit	25,000		25,000	
Inventories		676,460	676,460	435,433
Prepaid items		1,818	1,818	2,542
Restricted cash	2,068,478	172,025	2,240,503	
Total current assets	<u>\$ 11,971,806</u>	<u>\$ 22,298,010</u>	<u>\$ 34,269,816</u>	<u>\$ 1,430,049</u>
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 2,822,699	\$ 1,491,966	\$ 4,314,665	\$ 264,044
Other capital assets, net of depreciation	16,651,209	64,173,723	80,824,932	557,250
Total capital assets	<u>\$ 19,473,908</u>	<u>\$ 65,665,689</u>	<u>\$ 85,139,597</u>	<u>\$ 821,294</u>
Total assets	<u>\$ 31,445,714</u>	<u>\$ 87,963,699</u>	<u>\$ 119,409,413</u>	<u>\$ 2,251,343</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 176,019	\$ 246,483	\$ 422,502	\$ 343,573
Salaries payable	272,109	128,641	400,750	
Unearned revenue	266,901		266,901	
Customer deposits		172,025	172,025	
Accrued interest payable	45,751	113,602	159,353	
Due to primary government				25,000
Construction loan		492,148	492,148	
Current portion of long-term liabilities	581,333	1,783,597	2,364,930	
Retainages payable on construction projects		23,000	23,000	
Total current liabilities	<u>\$ 1,342,113</u>	<u>\$ 2,959,496</u>	<u>\$ 4,301,609</u>	<u>\$ 368,573</u>
Long-term liabilities due in more than one year	<u>\$ 5,014,754</u>	<u>\$ 13,422,466</u>	<u>\$ 18,437,220</u>	
Total liabilities	<u>\$ 6,356,867</u>	<u>\$ 16,381,962</u>	<u>\$ 22,738,829</u>	<u>\$ 368,573</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 16,829,139	\$ 50,127,849	\$ 66,956,988	\$ 821,294
Restricted for:				
Stabilization by State Statute	923,385		923,385	
Economic development	57,964		57,964	
Law enforcement	106,326		106,326	
Streets	221,653		221,653	
Transportation	1,735,232		1,735,232	
Other	3,005		3,005	
Capital improvements				30,629
Working capital				137,740
Unrestricted	<u>5,212,143</u>	<u>21,453,888</u>	<u>26,666,031</u>	<u>893,107</u>
Total net assets	<u>\$ 25,088,847</u>	<u>\$ 71,581,737</u>	<u>\$ 96,670,584</u>	<u>\$ 1,882,770</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,152,324			
Public safety	6,256,423	\$ 163,982	\$ 181,756	
Transportation	2,155,725	73,432	578,830	\$ 75,000
Parks and drainage	642,849	11,850	49,444	
Economic and physical development	262,751			
Cultural and recreational	200,772	164,349	12,980	
Interest on long-term debt	215,749			
Total governmental activities (Note 1)	\$ 11,886,593	\$ 413,613	\$ 823,010	\$ 75,000
Business-type activities:				
Water and Sewer	\$ 10,784,165	\$ 13,386,511		\$ 285,014
Environmental Service Fund	1,014,552	837,913		
Total business-type activities	\$ 11,798,717	\$ 14,224,424		285,014
Total primary government	\$ 23,685,310	\$ 14,638,037	\$ 823,010	\$ 360,014
Component Unit:				
ABC Board	\$ 3,637,874	\$ 3,609,830		
Total component unit	\$ 3,637,874	\$ 3,609,830		

General revenues:

Taxes:
 Property taxes, levied for general purposes
 Sales taxes
 Franchise taxes
 Licenses
 Other taxes
 Grants and contributions not restricted to specific programs
 Unrestricted investment earnings
 (Loss) on disposal of capital assets
 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, 2011

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (2,152,324)		\$ (2,152,324)	
(5,910,685)		(5,910,685)	
(1,428,463)		(1,428,463)	
(581,555)		(581,555)	
(262,751)		(262,751)	
(23,443)		(23,443)	
(215,749)		(215,749)	
<u>\$ (10,574,970)</u>		<u>\$ (10,574,970)</u>	
	\$ 2,887,360	\$ 2,887,360	
	(176,639)	(176,639)	
	<u>\$ 2,710,721</u>	<u>\$ 2,710,721</u>	
<u>\$ (10,574,970)</u>	<u>\$ 2,710,721</u>	<u>\$ (7,864,249)</u>	
			\$ (28,044)
			<u>\$ (28,044)</u>
\$ 6,967,097		\$ 6,967,097	
2,237,626		2,237,626	
1,022,134		1,022,134	
487,152		487,152	
70,221		70,221	
164,813		164,813	
24,430	\$ 22,088	46,518	\$ 8,337
	(322,115)	(322,115)	
71,346	12,455	83,801	
(350,670)	350,670		
<u>\$ 119,179</u>	<u>\$ 2,773,819</u>	<u>\$ 2,892,998</u>	<u>(19,707)</u>
<u>24,969,668</u>	<u>68,807,918</u>	<u>93,777,586</u>	<u>1,902,477</u>
<u>\$ 25,088,847</u>	<u>\$ 71,581,737</u>	<u>\$ 96,670,584</u>	<u>\$ 1,882,770</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Major Fund</u>		
	General Fund	Total Non-Major Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 8,649,154	\$ 122,854	\$ 8,772,008
Restricted cash and cash equivalents	327,979	1,740,499	2,068,478
Receivables (net)			
Taxes	279,815	15,196	295,011
Accounts	55,842	442	56,284
Grants	14,850	7,980	22,830
Shared taxes	627,459		627,459
Refundable taxes	96,842	7,894	104,736
Interfund balances	102,392		102,392
Due from component unit	25,000		25,000
Total assets	<u>\$ 10,179,333</u>	<u>\$ 1,894,865</u>	<u>\$ 12,074,198</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 159,774	\$ 16,245	\$ 176,019
Salaries payable	272,109		272,109
Interfund balances		102,392	102,392
Deferred revenues	545,354	16,558	561,912
Total liabilities	<u>\$ 977,237</u>	<u>\$ 135,195</u>	<u>\$ 1,112,432</u>
Fund balances:			
Restricted			
Stabilization by State Statute	\$ 922,385	\$ 1,000	\$ 923,385
Economic development		57,964	57,964
Law enforcement	106,326		106,326
Recreation		3,005	3,005
Streets	221,653		221,653
Transportation		1,735,232	1,735,232
Assigned			
Subsequent year's expenditures	929,710	57,900	987,610
Unassigned	7,022,022	(95,431)	6,926,591
Total fund balances	<u>\$ 9,202,096</u>	<u>\$ 1,759,670</u>	<u>\$ 10,961,766</u>
Total liabilities and fund balances	<u>\$ 10,179,333</u>	<u>\$ 1,894,865</u>	<u>\$ 12,074,198</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

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	\$ 19,473,908
Adjusting items:	
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	\$ 295,011
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(45,751)
Bonds payable	(2,630,000)
Notes payable	(1,750,000)
Compensated absences payable	(526,757)
Other post-employment benefits	(357,648)
Net pension benefit-Special Separation Allowance	(331,681)
Total adjusting items	\$ 14,127,082
Total fund balances	<u>10,961,766</u>
Net assets of governmental activities	<u>\$ 25,088,847</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 6,697,052	\$ 240,898	\$ 6,937,950
Other taxes and licenses	487,152		487,152
Unrestricted intergovernmental	3,335,684	103,100	3,438,784
Restricted intergovernmental	465,124	510,724	975,848
Permits and fees	25,573		25,573
Sales and services	251,706		251,706
Investment earnings	22,215	2,215	24,430
Miscellaneous	165,088	46,213	211,301
Total revenues	\$ 11,449,594	\$ 903,150	\$ 12,352,744
Expenditures:			
General government	\$ 2,052,333		\$ 2,052,333
Public safety	5,861,203	\$ 157,320	6,018,523
Transportation	1,454,766	778,719	2,233,485
Parks and drainage	502,500	55,000	557,500
Economic and physical development		262,751	262,751
Cultural and recreational	190,797	9,975	200,772
Debt service:			
Principal	373,333		373,333
Interest and fees	219,650		219,650
Total expenditures	\$ 10,654,582	\$ 1,263,765	\$ 11,918,347
Revenues over (under) expenditures	\$ 795,012	\$ (360,615)	\$ 434,397
Other financing sources (uses):			
Transfers in (out) :			
Enterprise funds	\$ (350,670)		\$ (350,670)
General Fund / Capital Project Fund	(311,884)	\$ 311,884	
General Fund / Special Revenue Fund	42,404	(42,404)	
Total other financing sources (uses)	\$ (620,150)	\$ 269,480	\$ (350,670)
Net change in fund balances	\$ 174,862	\$ (91,135)	\$ 83,727
Fund balances:			
Beginning of year, July 1 (restated)	9,027,234	1,850,805	10,878,039
End of year, June 30	\$ 9,202,096	\$ 1,759,670	\$ 10,961,766

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, 2011

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 847,347
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,077,695)</u>
The amount by which depreciation exceeded capital outlays in the current period was	<u>\$ (230,348)</u>
 The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets	 <u>\$ (25,448)</u>
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	<u>\$ 29,146</u>
 The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets. This is the amount expended for the retirement of principal of long-term debt.	 <u>\$ 373,333</u>
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest payable	\$ 3,901
Change in compensated absences	(14,952)
Change in other post-employment benefits	(76,492)
Change in net pension obligation	<u>(23,688)</u>
	<u>\$ (111,231)</u>
 Total adjusting items	 <u>\$ 35,452</u>
 Net changes in fund balances - total governmental funds	 <u>83,727</u>
 Total changes in net assets of governmental activities	 <u>\$ 119,179</u>

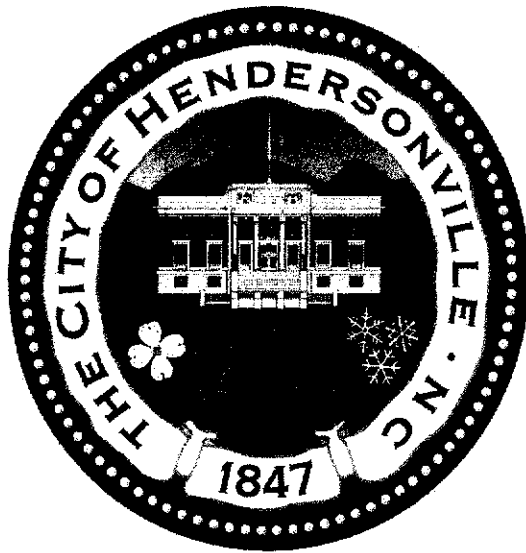
The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit 5

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,480,000	\$ 6,480,000	\$ 6,697,052	\$ 217,052
Other taxes and licenses	247,000	247,000	487,152	240,152
Unrestricted intergovernmental	3,202,000	3,202,000	3,335,684	133,684
Restricted intergovernmental	399,940	398,940	465,124	66,184
Permits and fees	16,000	16,000	25,573	9,573
Sales and services	186,500	186,500	251,706	65,206
Investment earnings	10,600	11,600	22,215	10,615
Miscellaneous	36,350	65,450	165,088	99,638
Total revenues	\$ 10,578,390	\$ 10,607,490	\$ 11,449,594	\$ 842,104
Expenditures:				
General government	\$ 2,311,580	\$ 2,455,782	\$ 2,052,333	\$ 403,449
Public safety	5,980,650	5,991,150	5,861,203	129,947
Transportation	1,609,280	1,754,242	1,454,766	299,476
Parks and drainage	520,020	547,120	502,500	44,620
Cultural and recreational	285,820	285,820	190,797	95,023
Debt service:				
Principal	404,850	404,850	373,333	31,517
Interest and fees	256,030	256,030	219,650	36,380
Total expenditures	\$ 11,368,230	\$ 11,694,994	\$ 10,654,582	\$ 1,040,412
Revenues over (under) expenditures	\$ (789,840)	\$ (1,087,504)	\$ 795,012	\$ 1,882,516
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (350,670)	\$ (350,670)	\$ (350,670)	
Nonmajor special revenue funds (net)	47,960	42,404	42,404	
Nonmajor capital project fund		(311,884)	(311,884)	
Contingencies budgeted (expenditures)	(150,000)	(150,000)	0	150,000
Fund balance appropriated	1,242,550	1,857,654	0	(1,857,654)
Total other financing sources (uses)	\$ 789,840	\$ 1,087,504	\$ (620,150)	\$ (1,707,654)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 174,862	\$ 174,862
Fund balances:				
Beginning of year, July 1 (restated)			9,027,234	
End of year, June 30			\$ 9,202,096	

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, 2011

Exhibit 6

	Business Type Activities - Enterprise Funds		
	Environmental Service Fund	Water and Sewer Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 607,794	\$ 18,536,686	\$ 19,144,480
Investments			0
Accounts receivable (net)	93,295	1,546,735	1,640,030
Sales taxes refundable	4,639	156,473	161,112
Shared taxes receivable	2,085		2,085
Grants receivable		500,000	500,000
Inventories		676,460	676,460
Prepaid items		1,818	1,818
Restricted cash and cash equivalents		172,025	172,025
Total current assets	\$ 707,813	\$ 21,590,197	\$ 22,298,010
Noncurrent assets:			
Land and other non-depreciable assets		\$ 1,491,966	\$ 1,491,966
Other capital assets, net of depreciation	\$ 223,245	63,950,478	64,173,723
Capital assets (net)	\$ 223,245	\$ 65,442,444	\$ 65,665,689
Total noncurrent assets	\$ 223,245	\$ 65,442,444	\$ 65,665,689
Total Assets	\$ 931,058	\$ 87,032,641	\$ 87,963,699
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 20,610	\$ 225,873	\$ 246,483
Salaries payable	11,634	117,007	128,641
Customer deposits		172,025	172,025
Construction loan		492,148	492,148
Accrued bond and note interest		113,602	113,602
Compensated absences-current	6,000	58,000	64,000
Notes payable -current		1,719,597	1,719,597
Construction retainages payable		23,000	23,000
Total current liabilities	\$ 38,244	\$ 2,921,252	\$ 2,959,496
Noncurrent liabilities:			
Compensated absences	\$ 14,116	\$ 135,617	\$ 149,733
Other postemployment benefits	20,118	149,765	169,883
Notes payable		13,102,850	13,102,850
Total noncurrent liabilities	\$ 34,234	\$ 13,388,232	\$ 13,422,466
Total Liabilities	\$ 72,478	\$ 16,309,484	\$ 16,381,962
NET ASSETS			
Invested in capital assets, net of related debt	\$ 223,245	\$ 50,127,849	\$ 50,351,094
Unrestricted	635,335	20,595,308	21,230,643
Total Net Assets	\$ 858,580	\$ 70,723,157	\$ 71,581,737

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, 2011

Exhibit 7

	Business Type Activities - Enterprise Funds		
	Environmental Service Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 825,485	\$ 13,006,990	\$ 13,832,475
Other operating revenues	12,428	379,521	391,949
Total operating revenues	\$ 837,913	\$ 13,386,511	\$ 14,224,424
Operating expenses:			
Administration		\$ 778,348	\$ 778,348
Business operations		987,329	987,329
Water treatment and distribution		4,086,837	4,086,837
Waste collection and treatment	\$ 978,861	1,939,037	2,917,898
Depreciation	35,691	2,443,939	2,479,630
Total operating expenses	\$ 1,014,552	\$ 10,235,490	\$ 11,250,042
Operating income (loss)	\$ (176,639)	\$ 3,151,021	\$ 2,974,382
Non-operating revenues (expenses):			
Interest earned on investments	\$ 20	\$ 22,068	\$ 22,088
Capital grants		285,014	285,014
(Loss) on disposal of capital assets		(322,115)	(322,115)
Other		12,455	12,455
Interest on long-term debt		(548,675)	(548,675)
Total non-operating revenues (net)	\$ 20	\$ (551,253)	\$ (551,233)
Income (loss) before contributions and transfers:	\$ (176,619)	\$ 2,599,768	\$ 2,423,149
Transfer from General Fund	249,790	100,880	350,670
Change in net assets	\$ 73,171	\$ 2,700,648	\$ 2,773,819
Total net assets - beginning, July 1	785,409	68,022,509	68,807,918
Total net assets - ending, June 30	\$ 858,580	\$ 70,723,157	\$ 71,581,737

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, 2011

	Business Type Activities - Enterprise Funds		
	Environmental Service Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 826,631	\$ 12,926,281	\$ 13,752,912
Cash paid for goods and services	(551,363)	(3,740,720)	(4,292,083)
Cash paid to employees for services	(428,076)	(3,986,060)	(4,414,136)
Customer deposits received		251,975	251,975
Customer deposits returned		(240,325)	(240,325)
Other operating revenue	8,794	379,520	388,314
Net cash provided (used) by operating activities	\$ (144,014)	\$ 5,590,671	\$ 5,446,657
Cash flows from noncapital and financing related activity:			
Operating subsidy-General Fund	\$ 249,790	\$ 100,880	\$ 350,670
Net cash provided by noncapital and related financing activity	\$ 249,790	\$ 100,880	\$ 350,670
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (142,907)	\$ (3,310,329)	\$ (3,453,236)
Proceeds from sale of capital assets		33,225	33,225
Principal paid on bonds		(255,000)	(255,000)
Principal paid on notes		(1,683,367)	(1,683,367)
Interest on bonds and notes		(564,295)	(564,295)
Net cash provided (used) by capital and related financing activities	\$ (142,907)	\$ (5,779,766)	\$ (5,922,673)
Cash flows from investing activities:			
Interest on investments	\$ 20	\$ 22,069	\$ 22,089
Net cash provided by investing activities	\$ 20	\$ 22,069	\$ 22,089
Net increase / (decrease) in cash and cash equivalents	\$ (37,111)	\$ (66,146)	\$ (103,257)
Cash and cash equivalents:			
Balances - beginning of year	644,905	18,774,857	19,419,762
Balances - end of year	\$ 607,794	\$ 18,708,711	\$ 19,316,505

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit 8

	Business Type Activities - Enterprise Funds		
	Environmental Service Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (176,639)	\$ 3,151,021	\$ 2,974,382
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	\$ 35,691	\$ 2,443,939	\$ 2,479,630
Increase (decrease) in allowance for uncollectible accounts	(14,018)	19,316	5,298
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	11,747	(98,194)	(86,447)
Refundable taxes receivable	(1,599)	4,420	2,821
Shared taxes receivable	(110)		(110)
Inventory		(40,988)	(40,988)
Prepaid items		(1,818)	(1,818)
(Decrease) increase in liabilities:			
Accounts payable and accrued liabilities	(425)	47,119	46,694
Salaries payable	(993)	19,544	18,551
Customer deposits		11,650	11,650
Compensated absences payable	1,739	11,808	13,547
Other postemployment benefits	593	22,854	23,447
Total adjustments	\$ 32,625	\$ 2,439,650	\$ 2,472,275
Net cash provided (used) by operating activities	\$ (144,014)	\$ 5,590,671	\$ 5,446,657

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, 2011

Exhibit 9

June 30, 2011

ASSETS

Cash	\$ <u>1,959</u>
------	-----------------

LIABILITIES

Intergovernmental payable - Henderson County Board of Public Education	\$ <u>1,959</u>
---	-----------------

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



NOTES TO FINANCIAL STATEMENTS



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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:

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 fund:

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

The City maintains a separately budgeted **Capital Reserve Fund**, which was established to accumulate resources for future equipment purchases and capital improvements. For reporting purposes in the basic financial statements, in accordance with GASB 54, the Capital Reserve Fund is blended into the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information. For purposes of the basic financial statements, beginning fund balance in the General Fund has been restated to include the beginning fund balance of the Capital Reserve Fund.

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 eight 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. Justice Assistance Grant - Police Incident and Crime Scene Investigation Program (PICSIP) was established to administer a federal grant to assist the police department in processing crime scene evidence.
4. Justice Assistance Grant - Women and Children Education and Protection Program (WCEPP) was established to administer a federal grant to provide supplies and educational support to victims of domestic violence.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

-
5. FEMA – Assistance to Firefighters Grant Fund was established to administer a federal grant to purchase equipment and supplies for the Fire Department.
 6. Oakdale Cemetery Road Widening Project Grant Fund was established to administer a federal grant to purchase property and rights of way to facilitate the widening of U S Highway 64, which bisects the City's Oakdale Cemetery.
 7. Britton Creek Stormwater Master Plan Grant Fund was established to administer a state grant to study stormwater drainage.
 8. Rails to Trails Project Grant Fund was established to administer a federal grant to study the impact of converting an abandoned railroad line into hiking paths.

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 three 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. During the current year, it received federal grant money for some of the sidewalk construction.
2. East Side Fire Station Construction Project Fund was established to account for the construction of a fire station in the City's East Side. During the current year, no significant expenditures occurred. Substantial renovation of an existing building purchased in a prior year is scheduled for future years.
3. Main Street Infrastructure Improvement Project Fund was established to account for the substantial renovation of several blocks of Main Street, in the Central Business District. Construction is being undertaken over a period of several years, one block at a time, during the tourist off-season, to avoid disruption of downtown commerce.

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 Environmental Service Fund, formerly the Solid Waste Fund and (2) the Water and Sewer Fund. Debt service and long-term obligations of these funds are recorded within the respective funds.

The City reports the following fund type:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2010 through February, 2011 apply to the fiscal year ended June 30, 2011.

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 2011-2012 fiscal year and are not shown as receivables at June 30, 2011. 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, 2011, because they are intended to finance the City's operations during the 2011-2012 fiscal year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 3, 2010. 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, 2011, which includes all supplemental appropriations enacted during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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:

In the general fund, court-awarded amounts received from drug forfeitures are shown as restricted cash, as their use is restricted to law enforcement purposes. Also, Powell Bill funds are also classified as restricted cash, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4. The unexpended proceeds 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.

In the special revenue funds, unspent grant revenues are shown as restricted, because they may only be used for the purpose of the grant. In the Water & Sewer Fund customer deposits are shown as restricted cash.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

Long-Term Obligations:

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

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

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 Environmental Service 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Economic Development - Fund balance that is restricted by enabling legislation to being used in special tax districts for which an additional property tax is levied.

Restricted for Law Enforcement – portion of fund balance restricted by revenue source for use in law enforcement, due to the source being from federal and state drug forfeitures and controlled substance tax.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Transportation – Unspent bond proceeds which must be spent on sidewalk construction. .

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Hendersonville's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance – portion of fund balance that City of Hendersonville intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Hendersonville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, the City's deposits had a carrying amount of \$3,372,962 and a bank balance of \$3,730,669. At June 30, 2011 the City's petty cash fund totaled \$3,650.

Of the bank balance at June 30, 2011, \$1,225,669 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 \$2,505,000 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, 2011, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2011, the ABC Board's deposits had a carrying amount of \$986,882 and a bank balance of \$894,627. Federal Depository Insurance covered \$250,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

At June 30, 2011, the City of Hendersonville had \$26,780,379 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

Receivables--Allowances for Doubtful Accounts:

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

General Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 124,840
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 4,826
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 206
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 53,518
Solid Waste Fund: Allowance for Uncollectible Accounts Receivable	\$ 24,111

Deferred / Unearned Revenues:

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General Fund)	\$ 279,815	
Prepaid property taxes (General Fund)		\$ 2,592
Prepaid privilege licenses (General Fund)		262,147
Taxes receivable (Special Revenue Funds)	15,196	
Unspent grants (Special Revenue Funds)	_____	_____ 1,362
Totals	<u>\$ 295,011</u>	<u>\$ 266,901</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2011 was as follows:

Governmental activities:

	Balance <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2011</u>
Capital assets not being depreciated				
Land	\$ 2,823,784	\$ 5,156	\$ 6,241	\$ 2,822,699
Total	<u>\$ 2,823,784</u>	<u>\$ 5,156</u>	<u>\$ 6,241</u>	<u>\$ 2,822,699</u>
Capital assets being depreciated:				
Buildings	\$ 7,952,460			\$ 7,952,460
Other improvements	3,838,649	\$ 26,178	\$ 12,691	3,852,136
Equipment	1,233,956	47,045	26,257	1,254,744
Software	60,961	35,000		95,961
Vehicles	3,610,794	163,993	140,805	3,633,982
Infrastructure	<u>11,576,712</u>	<u>569,976</u>		<u>12,146,688</u>
Totals	<u>\$ 28,273,532</u>	<u>\$ 842,192</u>	<u>\$ 179,753</u>	<u>\$ 28,935,971</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 2,433,638	\$ 251,807		\$ 2,685,445
Other improvements	2,063,290	134,932	\$ 12,691	2,185,531
Equipment	803,216	88,803	26,255	865,764
Software	9,144	18,609		27,753
Vehicles	1,969,554	207,073	121,598	2,055,029
Infrastructure	<u>4,088,769</u>	<u>376,471</u>	<u>-</u>	<u>4,465,240</u>
Totals	<u>\$ 11,367,611</u>	<u>\$ 1,077,695</u>	<u>\$ 160,544</u>	<u>\$ 12,284,762</u>
Assets being depreciated, net	<u>\$ 16,905,921</u>	<u>\$ (235,503)</u>	<u>\$ 19,209</u>	<u>\$ 16,651,209</u>
Governmental-type capital assets, net	<u>\$ 19,729,705</u>			<u>\$ 19,473,908</u>
General Government		\$ 134,043		
Public Safety		311,231		
Transportation		491,387		
Parks		<u>141,034</u>		
Total depreciation expense		<u>\$ 1,077,695</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Business-type activities:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Environmental Service Fund:				
Capital assets being depreciated:				
Vehicles	\$ 571,518	\$ 142,907	\$ -	\$ 714,425
Less accumulated depreciation for:				
Vehicles	\$ 455,489	\$ 35,691	\$ -	\$ 491,180
Solid Waste Fund:				
Capital assets, net	\$ 116,029			\$ 223,245
Water & Sewer Fund:				
Land	\$ 993,006	\$ 498,960		\$ 1,491,966
Construction	21,384,144	-	\$ 21,384,144	-
Total	\$ 22,377,150	\$ 498,960	\$ 21,384,144	\$ 1,491,966
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	22,839,660	\$ 20,274,154	\$ 241,300	42,872,514
Lines and related equipment	34,031,566	2,849,348	742,518	36,138,396
Equipment	912,911	226,317	80,313	1,058,915
Vehicles	1,331,172	10,655	34,840	1,306,987
Tanks and reservoirs	5,293,651	-	752,707	4,540,944
Totals	\$ 66,061,699	\$ 23,360,474	\$ 867,860	\$ 87,570,495
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 480,465	\$ 55,092		\$ 535,557
Treatment facilities	7,816,597	1,401,799	\$ 241,300	8,977,096
Lines and related equipment	10,962,853	727,506	435,885	11,254,474
Equipment	696,778	46,894	80,313	663,359
Vehicles	948,317	80,470	20,691	1,008,096
Tanks and reservoirs	1,768,406	132,178	719,149	1,181,435
Totals	\$ 22,673,416	\$ 2,443,939	\$ 1,497,338	\$ 23,620,017
Assets being depreciated, net	\$ 43,388,283	\$ 20,916,535	\$ (629,478)	\$ 63,950,478
Water & Sewer Fund capital assets, net	\$ 65,765,433			\$ 65,442,444
Business-type capital assets, net	\$ 65,881,462			\$ 65,665,689

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Capital asset activity for the ABC Board for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated				
Land	\$ 263,794	\$ 250	\$ -	\$ 264,044
Capital assets being depreciated:				
Buildings	\$ 600,554			\$ 600,554
Real estate improvements	225,329	\$ 2,570		227,899
Furniture and equipment	149,961	8,997	\$ 2,034	156,924
Vehicles	26,646			26,646
Computer equipment & software	39,820	52,100	31,905	60,015
Totals	\$ 1,042,310	\$ 63,667	\$ 33,939	\$ 1,072,038
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 290,954	\$ 14,913		\$ 305,867
Real estate improvements	59,108	9,230		68,338
Furniture and equipment	101,338	8,885	\$ 2,030	108,193
Vehicles	26,646			26,646
Computer equipment & software	29,168	5,365	28,789	5,744
Totals	\$ 507,214	\$ 38,393	\$ 30,819	\$ 514,788
Assets being depreciated, net	\$ 535,096	\$ 25,274	\$ 3,120	\$ 557,250
ABC Board capital assets, net	\$ 798,890			\$ 821,294

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 6.44% and 6.41% respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.35% of annual covered payroll. The contribution requirements of members and of the City of Hendersonville and the ABC Board are established and may be amended by the North Carolina General Assembly. The contributions made by the City and the ABC Board equaled the required contributions for each year, which were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
City	\$545,426	\$416,513	\$415,052
ABC Board	\$ 46,705	\$ 46,818	\$ 46,087

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description:

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011 were \$248,147, which consisted of \$88,837 from the City and \$159,310 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description:

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

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

Retirees receiving benefits	3
Active plan members	<u>39</u>
Total	<u>42</u>

Summary of Significant Accounting Policies:

Basis of Accounting:

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

Method Used to Value Investments:

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

Contributions:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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	\$ 80,269
Interest on net pension obligation	15,400
Adjustment to annual required contribution	(16,489)
Annual pension cost	\$ 79,180
Contributions made	(55,492)
Increase in net pension obligation	\$ 23,688
Net pension obligation beginning of year	307,993
Net pension obligation end of year	<u>\$ 331,681</u>

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$62,149	89.29%	\$297,489
6/30/2010	\$65,996	84.08%	\$307,993
6/30/2011	\$79,180	70.08%	\$331,681

Actuarial Information:

Valuation date	December 31, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Funded Status and Funding Progress:

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$799,934. The covered payroll (annual payroll of active employees covered by the plan) was \$1,834,359 and the ratio of the UAAL to the covered payroll was 43.61 percent. The funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Firemen's and Rescue Squad Workers Pension Plan

Plan Description:

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

Funding Policy:

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. During the current year, the City recognized revenue and expenditure of \$1,672 for the State's contribution to the Fund on behalf of the five firemen who were participating.

Other Post-Employment Benefits

HealthCare and Death Benefit Plan

Plan Description:

On June 1, 1988, the City of Hendersonville Board of Commissioners unanimously approved an ordinance to provide post-retirement health benefits to those retirees who participate in the North Carolina Local Governmental Employees' Retirement System and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for these benefits until the retiree becomes eligible for Medicare at the age of 65. A separate report is not issued by the plan.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

As of year end, there are forty-nine (48) employees eligible for the death benefit with the total liability equal to \$240,000. The City paid out \$5,000 in fiscal year 2010-2011. The actuarial information presented below covers both the healthcare and the death benefit liability.

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

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

Funding Policy:

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

The current ARC rate is 2.96% of annual covered payroll. For the current year, the City contributed \$110,230 or 1.26% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under the City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.61 and 0.64% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$24,051. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies:

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

Annual OPEB Cost and Net OPEB Obligation:

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Annual required contribution	\$ 259,109
Interest on OPEB obligation	17,104
Adjustment to annual required contribution	(14,756)
Annual OPEB cost	\$ 261,457
Contributions made	(161,518)
Increase in net OPEB obligation	\$ 99,939
Net OPEB obligation beginning of year	<u>427,592</u>
Net OPEB obligation end of year	<u>\$ 527,531</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$336,444	41.12%	\$198,096
6/30/2010	\$350,149	34.46%	\$427,592
6/30/2011	\$261,457	61.80%	\$527,531

Funding Status and Funding Progress:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Actuarial Methods and Assumptions:

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

Actuarial Information:

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

Short-Term Debt:

Construction Loan General Obligation Indebtedness

During the 2009-10 year, the City was approved for a loan from the Drinking Water State Revolving Fund, a federal loan program, administered by the states. On September 11, 2009, the City executed a promissory note to the State of North Carolina for \$909,937 for future draws against the loan for construction on the Brightwater Heights Water System Project. During the 2009-2010 year, the City received draws of \$492,148. During the current year, additional expenditures were made on the project which will qualify for advances from the construction loan, but no additional advances were received through June 30, 2011.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Changes in short-term debt:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
\$ 492,148	\$ -0-	\$ -0-	\$ 492,148

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, 2011 are comprised of the following individual issues:

General Obligation Bonds*Serviced by the General Fund:*

1998 Sidewalk Construction Bonds:	\$ 630,000
Interest due each May 1 and November 1 at rates from 4.75% to 5.0%	
\$90,000 principal due each May 1	
2008 Sidewalk Construction Bonds:	<u>2,000,000</u>
Interest due each March 1 and September 1 at rates from 3.5% to 4.3%	
Varying amounts of principal due each March 1,	
Total General Obligation Bonds	<u>\$2,630,000</u>

Notes Payable

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 1,750,001
Principal payment of \$116,667 and interest at 4.1%	
due each April 14 and October 14	

Enterprise Debt

Serviced by the Water & Sewer Fund

BB & T Highway Water Plant Expansion Loan	7,287,500
Fixed payment of \$608,680 due each March 19	
and September 19 including principal and interest at 3.9%	
including principal and interest at 3.9%	

State of North Carolina Revolving Loan Fund Clean Water Bonds	605,280
Interest due each May 1 and November 1 at 3.43%	
Principal of \$100,880 due each May 1	

State of North Carolina Revolving Loan Fund Clean Water Bonds	6,929,668
Wastewater Treatment Plant Expansion	
Interest due each May 1 and November 1 at 2.91%	
Principal of \$662,500 due each May 1	

Total Notes Payable	<u>\$16,572,449</u>
---------------------	---------------------

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

Year Ended	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>				
2012	423,333	180,688	1,719,597	493,852
2013	423,334	163,212	1,757,253	433,457
2014	423,334	145,485	1,796,392	371,579
2015	423,333	127,758	1,837,072	308,159
2016	423,334	109,942	1,879,354	243,137
2017-2021	1,413,333	310,124	5,170,280	457,995
2022-2026	750,000	115,550	662,500	19,279
Thereafter	<u>100,000</u>	<u>4,300</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,380,001</u>	<u>\$ 1,157,059</u>	<u>\$ 14,822,448</u>	<u>\$ 2,327,458</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Changes in long-term liabilities:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,770,000		\$ 140,000	\$ 2,630,000	\$ 190,000
Notes payable	1,983,334		233,333	1,750,001	233,333
Compensated absences	511,805	\$ 331,362	316,410	526,757	158,000
Other postemployment benefits	281,156	76,492		357,648	
Net pension obligation	307,993	23,688		331,681	
Governmental activity long-term liabilities	<u>\$ 5,854,288</u>	<u>\$ 431,542</u>	<u>\$ 689,743</u>	<u>\$ 5,596,087</u>	<u>\$ 581,333</u>
Business-type activities:					
General obligation bonds	\$ 255,000		\$ 255,000		
Notes payable	16,505,815		1,683,367	\$ 14,822,448	\$ 1,719,597
Compensated absences	195,185	\$ 153,517	134,970	213,732	64,000
Other postemployment benefits	146,436	23,447		169,883	
Business-type activities long-term liabilities	<u>\$ 17,102,436</u>	<u>\$ 176,964</u>	<u>\$ 2,073,337</u>	<u>\$ 15,206,063</u>	<u>\$ 1,783,597</u>

Liabilities related to governmental activities are serviced by the General Fund. Bond and note liabilities related to business-type activities are serviced by the Water & Sewer Fund. Employee-related liabilities are serviced by either the Water & Sewer Fund or the Environmental Service Fund, depending on the assignment of the employee.

Capital Leases

The City is not a party to any capital leases.

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, 2011, was \$121,249,719. This represents the maximum amount of long-term debt allowed by law. This is computed as 8% of the total tax base minus certain debt items.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

C. FUND BALANCE

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 9,202,096
Less:	
Stabilization by State Statute	922,385
Restricted for law enforcement	106,326
Restricted for Streets-Powell Bill	221,653
Appropriated fund balance- 2012 budget	<u>929,710</u>
Remaining fund balance	<u>\$ 7,022,022</u>

Purchase orders issued by the City give rise to encumbrances. The City's purchase orders, and hence, the encumbrances, lapse at June 30. There were no ongoing construction projects at yearend

D. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2011, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for five participating employed firemen in the amount of \$1,672.

Also, the City has recognized as a revenue and an expenditure \$27,920 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, 2011. 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.

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund/inter-entity balances as of June 30, 2011, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	
	Main Street Infrastructure	<u>\$ 102,392</u>
	Improvements Project Fund	

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Due to / from primary government and component units:

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

Interfund transfers of the City of Hendersonville for the year ended June 30, 2011 consist of the following:

Transfers to Enterprise Funds:

General Fund to Environmental Service Fund \$249,790
This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

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.

Transfers to Governmental Funds:

General Fund to Downtown Tax District Fund \$ 27,350
This transfer was to provide a contribution to the Downtown tax District Fund to be used for current operating expenses.

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

General Fund to Seventh Avenue Tax District Fund \$ 24,690
This transfer was to assist the Seventh Avenue Tax District Fund to be used for current operating expenses.

General Fund to Britton Creek Stormwater Master Plan Project Grant Fund \$ 5,556
This transfer was to provide local matching funds for a grant to study drainage.

General Fund to Main Street Infrastructure Improvements Project Fund \$ 318,884
This transfer was to provide funds for the renovation of portions of Main Street in the City's Central Business District.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

III. COMMITMENTS AND CONTINGENCIES:

A. FEDERAL AND STATE ASSISTED PROGRAMS:

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

B. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this company the City has general liability and auto liability coverage of \$1 million per occurrence; property coverage up to \$70 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 (two different officials) are also each individually bonded for \$75,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

The City has a fully funded medical insurance plan to pay medical claims of the City's employees and their dependents. The plan was negotiated for twelve (12) months beginning July 1, 2010, and ending June 30, 2011. It contains a stop loss provision with coverage and claims administration provided by United Health Care. The plan is funded by employer contributions and charges to the various funds of the City based on actual claims expense, and by employee contributions for dependent coverage. Effective July 1, 2011 the City changed its health insurance coverage for employees and their families to a self-insurance plan, administered by MedCost Benefit Services. The plan provides for monthly payment of claims by the City, subject to certain deductible and co-payments, and a maximum annual claims exposure to the City of \$4,900 per employee.

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

C. RELATED ORGANIZATION:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

D. LAWSUITS:

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

IV. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Deficit fund balance in individual funds:

During the current year, the City created a new capital project fund, the Main Street Infrastructure Improvements Project Fund, to account for infrastructure renovations on several blocks of Main Street, in the City's Central Business District. A total of \$311,884 was transferred from the General Fund, but amounts expended during the year totaled \$95,431 more than the transfer. This led to a deficit in fund balance in the fund. Additional transfers from the General Fund, and proceeds from general obligation bonds are anticipated in future years, to correct the situation.



REQUIRED SUPPLEMENTAL INFORMATION

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

Exhibit A-1

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
2001	0	\$285,018	\$285,018	0	\$1,156,941	24.64%
2002	0	\$305,698	\$305,698	0	\$1,187,571	25.75%
2003	0	\$357,165	\$357,165	0	\$1,321,573	27.03%
2004	0	\$486,524	\$486,524	0	\$1,353,075	35.96%
2005	0	\$471,245	\$471,245	0	\$1,475,522	31.94%
2006	0	\$490,571	\$490,571	0	\$1,542,417	31.81%
2007	0	\$574,165	\$574,165	0	\$1,611,635	35.63%
2008	0	\$621,469	\$621,469	0	\$1,688,411	36.81%
2009	0	\$782,709	\$782,709	0	\$1,851,891	42.27%
2010	0	\$799,934	\$799,934	0	\$1,834,359	43.61%

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

Exhibit A-2

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$30,988	47.72%
2003	\$35,713	27.74%
2004	\$38,473	11.14%
2005	\$45,507	28.12%
2006	\$55,000	23.27%
2007	\$51,555	24.82%
2008	\$55,102	71.59%
2009	\$58,845	89.29%
2010	\$63,168	87.85%
2011	\$80,269	69.13%

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	5.0%
Projected salary increases	4.25 - 7.85 %
Includes inflation at	3.0 %

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

Exhibit A-3

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
2005	0	\$2,956,534	\$2,956,534	0	\$6,499,084	45.49%
2007	0	\$4,559,164	\$4,559,164	0	\$7,446,974	61.22%
2009	0	\$3,641,577	\$3,641,577	0	\$8,593,288	42.38%

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

Exhibit A-4

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$336,444	41.15%
2010	\$350,149	34.57%
2011	\$261,457	61.80%

Notes to the Required Schedules:

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

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.0%
Medical cost trend rate	10.5 % to 5.0 %
Year of ultimate trend rate	2017
Includes inflation at	3.75 %



GENERAL FUND

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



CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-1
Page 1 of 6

	2011				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual		
Revenues:					
Ad valorem taxes:					
Taxes	\$ 6,450,000	\$ 6,450,000	\$ 6,651,284	\$ 201,284	\$ 6,631,928
Penalties and interest	35,000	35,000	46,185	11,185	24,856
Refunds	(5,000)	(5,000)	(417)	4,583	(10)
Total	\$ 6,480,000	\$ 6,480,000	\$ 6,697,052	\$ 217,052	\$ 6,656,774
Other taxes and licenses:					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,500	\$ 500	\$ 2,440
Local vehicle rental tax	5,000	5,000	7,836	2,836	6,341
Privilege licenses	240,000	240,000	476,816	236,816	149,660
Total	\$ 247,000	\$ 247,000	\$ 487,152	\$ 240,152	\$ 158,441
Unrestricted intergovernmental:					
Local option sales taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,134,526	\$ (115,474)	\$ 2,101,938
Payments in lieu of taxes	17,000	17,000	12,330	(4,670)	17,846
Utility franchise tax	500,000	500,000	558,674	58,674	538,665
Video programming fee	100,000	100,000	129,834	29,834	130,636
Telecommunications sales tax	200,000	200,000	333,626	133,626	353,963
Beer and wine tax	50,000	50,000	57,891	7,891	18,537
ABC profit distribution	80,000	80,000	100,000	20,000	110,000
Court fees	5,000	5,000	8,803	3,803	10,259
Total	\$ 3,202,000	\$ 3,202,000	\$ 3,335,684	\$ 133,684	\$ 3,281,844
Restricted intergovernmental:					
Powell Bill allocation	\$ 311,000	\$ 310,000	\$ 357,694	\$ 47,694	\$ 353,289
Federal grant revenues	11,000	11,000		(11,000)	11,800
ABC law enforcement services	40,000	40,000	40,000		40,000
On-behalf-of payments:					
Firemen's Relief			29,592	29,592	27,920
School Resource Officer	37,940	37,940	37,838	(102)	46,416
Total	\$ 399,940	\$ 398,940	\$ 465,124	\$ 66,184	\$ 479,425

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-1
Page 2 of 6

	2011				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final			
Permits and fees:					
Building permits and inspection fees	\$ 16,000	\$ 16,000	\$ 25,573	\$ 9,573	\$ 21,647
Total	\$ 16,000	\$ 16,000	\$ 25,573	\$ 9,573	\$ 21,647
Sales and services:					
Recreation department fees	\$ 25,000	\$ 25,000	\$ 37,540	\$ 12,540	\$ 34,162
Patton Pool revenues	84,000	84,000	126,809	42,809	120,393
Parking revenues	65,000	65,000	73,432	8,432	69,058
Alarm fees	2,500	2,500	2,075	(425)	2,700
Cemetery lots	10,000	10,000	11,850	1,850	15,000
Total	\$ 186,500	\$ 186,500	\$ 251,706	\$ 65,206	\$ 241,313
Investment earnings	\$ 10,100	\$ 10,100	\$ 20,255	\$ 10,155	\$ 38,941
Miscellaneous:					
Insurance proceeds		\$ 9,500	\$ 12,464	\$ 2,964	\$ 10,140
Parking violations	\$ 24,000	24,000	49,693	25,693	32,149
Sales of property	600	1,600	15,625	14,025	11,246
Contributions		18,600	18,600		52,700
Other	11,750	11,750	68,706	56,956	50,303
Total	\$ 36,350	\$ 65,450	\$ 165,088	\$ 99,638	\$ 156,538
Total revenues	\$ 10,577,890	\$ 10,605,990	\$ 11,447,634	\$ 841,644	\$ 11,034,923

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-1
Page 3 of 6

2011					
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final			
Expenditures:					
General government:					
Governing body:					
Salaries and employee benefits	\$ 52,130	\$ 52,130	\$ 45,796	\$ 6,334	\$ 50,462
Operating expenses	45,030	45,030	29,689	15,341	37,082
Dues and appropriations	292,700	392,700	285,596	107,104	328,805
Reimbursement-enterprise fund	(26,180)	(26,180)	(24,724)	(1,456)	(25,245)
Total	\$ 363,680	\$ 463,680	\$ 336,357	\$ 127,323	\$ 391,104
Administration:					
Salaries and employee benefits	\$ 297,580	\$ 297,580	\$ 294,822	\$ 2,758	\$ 290,932
Operating expenses	84,600	84,600	76,096	8,504	120,887
Capital outlay		5,400		5,400	
Reimbursement-enterprise fund	(147,070)	(147,070)	(140,766)	(6,304)	(143,753)
Total	\$ 235,110	\$ 240,510	\$ 230,152	\$ 10,358	\$ 268,066
Finance:					
Salaries and employee benefits	\$ 746,060	\$ 745,060	\$ 724,439	\$ 20,621	\$ 726,424
Operating expenses	80,850	80,850	61,410	19,440	85,307
Reimbursement-enterprise fund	(478,410)	(478,410)	(549,804)	71,394	(539,861)
Total	\$ 348,500	\$ 347,500	\$ 236,045	\$ 111,455	\$ 271,870
City engineer:					
Salaries and employee benefits	\$ 316,540	\$ 316,540	\$ 298,829	\$ 17,711	\$ 284,984
Operating expenses	21,950	21,950	17,624	4,326	16,201
Reimbursement-enterprise fund	(158,540)	(158,540)	(148,137)	(10,403)	(149,969)
Total	\$ 179,950	\$ 179,950	\$ 168,316	\$ 11,634	\$ 151,216
Information technology:					
Salaries and employee benefits	\$ 102,220	\$ 102,220	\$ 99,727	\$ 2,493	\$ 99,084
Operating expenses	281,550	254,055	240,180	13,875	188,541
Capital outlay	26,000	53,495	52,995	500	73,060
Reimbursement-enterprise fund	(95,170)	(95,170)	(90,266)	(4,904)	(56,208)
Total	\$ 314,600	\$ 314,600	\$ 302,636	\$ 11,964	\$ 304,477
Legal department:					
Salaries and employee benefits	\$ 171,120	\$ 174,620	\$ 172,579	\$ 2,041	\$ 162,295
Operating expenses	31,510	28,010	23,197	4,813	23,378
Reimbursement-enterprise fund	(85,620)	(85,620)	(96,980)	11,360	(99,420)
Total	\$ 117,010	\$ 117,010	\$ 98,796	\$ 18,214	\$ 86,253

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, 2011

Exhibit B-1
Page 4 of 6

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

	2011					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual	
	Original	Final	Actual			
Fleet maintenance:						
Salaries and employee benefits	\$ 311,870	\$ 311,870	\$ 310,541	\$ 1,329	\$ 314,283	
Operating expenses	130,100	144,100	138,543	5,557	124,883	
Capital outlay	20,000	20,000		20,000	7,200	
Reimbursement-other departments	(60,000)	(74,000)	(96,496)	22,496	(90,265)	
Reimbursement-enterprise fund	(40,000)	(40,000)	(50,974)	10,974	(51,176)	
Total	\$ 361,970	\$ 361,970	\$ 301,614	\$ 60,356	\$ 304,925	
Public buildings:						
Salaries and employee benefits	\$ 163,850	\$ 163,850	\$ 157,887	\$ 5,963	\$ 143,189	
Operating expenses	195,910	244,712	207,473	37,239	163,317	
Capital outlay	31,000	21,000	12,079	8,921	18,800	
Total	\$ 390,760	\$ 429,562	\$ 377,439	\$ 52,123	\$ 325,306	
Total general government	\$ 2,311,580	\$ 2,454,782	\$ 2,051,355	\$ 403,427	\$ 2,103,217	
Public safety:						
Police:						
Salaries and employee benefits	\$ 3,146,780	\$ 3,147,280	\$ 3,120,098	\$ 27,182	\$ 3,082,447	
Operating expenses	542,230	542,730	538,414	4,316	471,158	
Capital outlay	94,000	103,500	103,402	98	93,651	
Total	\$ 3,783,010	\$ 3,793,510	\$ 3,761,914	\$ 31,596	\$ 3,647,256	
Fire:						
Salaries and employee benefits	\$ 1,250,540	\$ 1,200,060	\$ 1,176,247	\$ 23,813	\$ 1,235,329	
Operating expenses	148,780	188,830	151,912	36,918	116,705	
Capital outlay		48,930	44,158	4,772		
On-behalf payments:	38,500					
Firemen's Relief fund			29,592	(29,592)	27,920	
Contract coverage-Vol. departments	333,050	333,050	330,932	2,118	326,327	
Total	\$ 1,770,870	\$ 1,770,870	\$ 1,732,841	\$ 38,029	\$ 1,706,281	
Zoning:						
Salaries and employee benefits	\$ 123,200	\$ 123,200	\$ 124,350	\$ (1,150)	\$ 119,126	
Operating expenses	58,200	58,200	16,004	42,196	41,587	
Total	\$ 181,400	\$ 181,400	\$ 140,354	\$ 41,046	\$ 160,713	
Planning:						
Salaries and employee benefits	\$ 198,200	\$ 198,200	\$ 192,486	\$ 5,714	\$ 189,908	
Operating expenses	47,170	47,170	33,608	13,562	24,026	
Total	\$ 245,370	\$ 245,370	\$ 226,094	\$ 19,276	\$ 213,934	
Total public safety	\$ 5,980,650	\$ 5,991,150	\$ 5,861,203	\$ 129,947	\$ 5,728,184	

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-1
Page 5 of 6

2011					
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final			
Transportation:					
Administration:					
Salaries and employee benefits	\$ 241,780	\$ 241,780	\$ 240,237	\$ 1,543	\$ 238,619
Operating expenses	77,140	77,140	70,082	7,058	70,780
Total	\$ 318,920	\$ 318,920	\$ 310,319	\$ 8,601	\$ 309,399
Streets and highways:					
Salaries and employee benefits	\$ 386,730	\$ 379,880	\$ 371,725	\$ 8,155	\$ 320,239
Operating expenses	320,750	263,410	270,378	(6,968)	208,610
Capital outlay	20,000	231,962	12,413	219,549	43,460
Reimbursement-enterprise fund	(93,500)	(105,310)	(144,912)	39,602	(127,713)
Total	\$ 633,980	\$ 769,942	\$ 509,604	\$ 260,338	\$ 444,596
State Street Aid allocation:					
Operating expenses	\$ 311,000	\$ 311,000	\$ 308,311	\$ 2,689	\$ 89,109
Capital outlay					370,000
Total	\$ 311,000	\$ 311,000	\$ 308,311	\$ 2,689	\$ 459,109
Traffic engineering:					
Salaries and employee benefits	\$ 118,350	\$ 118,350	\$ 112,304	\$ 6,046	\$ 126,548
Operating expenses	227,030	227,030	205,328	21,702	
Capital outlay		9,000	8,900	100	
Total	\$ 345,380	\$ 354,380	\$ 326,532	\$ 27,848	\$ 126,548
Total transportation	\$ 1,609,280	\$ 1,754,242	\$ 1,454,766	\$ 299,476	\$ 1,339,652
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	\$ 417,120	\$ 417,120	\$ 380,474	\$ 36,646	\$ 411,726
Operating expenses	52,900	57,400	59,265	(1,865)	46,672
Capital outlay	50,000	72,600	62,761	9,839	68,830
Total park maintenance, drainage, and lot clearing	\$ 520,020	\$ 547,120	\$ 502,500	\$ 44,620	\$ 527,228
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	\$ 119,770	\$ 119,770	\$ 109,587	\$ 10,183	\$ 104,848
Operating expenses	159,050	163,050	81,210	81,840	80,828
Capital outlay	7,000	3,000		3,000	
Total cultural and recreational	\$ 285,820	\$ 285,820	\$ 190,797	\$ 95,023	\$ 185,676

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-1
Page 6 of 6

	2011				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual		
Debt service:					
Principal	\$ 404,850	\$ 404,850	\$ 373,333	\$ 31,517	\$ 373,333
Interest and fees	256,030	256,030	219,650	36,380	232,928
Total debt service	\$ 660,880	\$ 660,880	\$ 592,983	\$ 67,897	\$ 606,261
Total expenditures	\$ 11,368,230	\$ 11,693,994	\$ 10,653,604	\$ 1,040,390	\$ 10,490,218
Revenues over (under) expenditures	\$ (790,340)	\$ (1,088,004)	\$ 794,030	\$ 1,882,034	\$ 544,705
Other financing sources / (uses)					
Transfers from (to) other funds:					
Enterprise funds:					
Environmental Service Fund	\$ (249,790)	\$ (249,790)	\$ (249,790)		\$ (387,600)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(100,880)
Downtown Tax District Fund	100,000	100,000	100,000		100,000
Downtown Tax District Fund	(27,350)	(27,350)	(27,350)		
Seventh Avenue Tax District Fund	(24,690)	(24,690)	(24,690)		(52,800)
Capital Reserve Fund	313,360	313,360	313,360		
Capital Reserve Fund		(245,472)	(245,472)		
Britton Creek Stormwater Master Plan Project Grant Fund		(5,556)	(5,556)		
Main Street Renovation Project Fund Improvement Project Fund		(66,412)	(66,412)		
Fire Station Construction Cap Proj Fund					(684,999)
Contingencies budgeted	(150,000)	(150,000)		150,000	
Fund balance appropriated	929,690	1,544,794		(1,544,794)	
Total other financing sources (uses)	\$ 790,340	\$ 1,088,004	\$ (306,790)	\$ (1,394,794)	\$ (1,126,279)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 487,240	\$ 487,240	\$ (581,574)
Fund balances:					
Beginning of year, July 1			7,881,113		9,837,010
End of year, June 30			\$ 8,368,353		\$ 9,255,436





CAPITAL RESERVE FUND

The Capital Reserve Fund is a fund with a separately adopted budget which receives transfers from the General Fund and transfers to the General Fund and other governmental funds, to facilitate major capital expenditures.



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, 2011

Exhibit B-2

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

	2011				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual		
Revenues:					
Investment earnings	\$ 500	\$ 1,500	\$ 1,960	\$ 460	\$ 4,454
Total revenues	\$ 500	\$ 1,500	\$ 1,960	\$ 460	\$ 4,454
Expenditures:					
General government:					
Investment fees	\$ 0	\$ 1,000	\$ 978	\$ 22	6,204
Total expenditures	\$ 0	\$ 1,000	\$ 978	\$ 22	\$ 6,204
Revenues over (under) expenditures	\$ 500	\$ 500	\$ 982	\$ 482	\$ (1,750)
Other financing sources (uses):					
Transfer from General Fund		\$ (245,472)	\$ 245,472		\$ 509,829
Transfer (to) General Fund	\$ (313,360)	(313,360)	(313,360)		(870,899)
Transfer (to) Fire Station Cap Proj Fund					(175,171)
Transfer (to) Main Street Infrastructure Improvement Capital Project Fund		245,472	(245,472)		
Appropriated fund balance	312,860	312,860		\$ (312,860)	
Total other financing sources (uses)	\$ (500)	\$ (500)	\$ (313,360)	\$ (312,860)	\$ (536,241)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (312,378)	\$ (312,378)	\$ (537,991)
Fund balance:					
Beginning of year, July 1			1,146,121		1,684,112
End of year, June 30			\$ 833,743		\$ 1,146,121



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL		REVENUE	FUNDS	
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Justice Assistance Grant WCEPP Program Grant Fund	Rails-to-Trails Project Grant Fund	
ASSETS					
Cash and cash equivalents	\$ 106,675	\$ 16,179			
Restricted cash and cash equivalents			\$ 1,362	\$ 3,905	
Receivables:					
Taxes (net)	14,059	1,137			
Accounts	416	26			
Grants				7,980	
Refundable taxes	432	126			
Total Assets	<u>\$ 121,582</u>	<u>\$ 17,468</u>	<u>\$ 1,362</u>	<u>\$ 11,885</u>	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,399	\$ 591		\$ 8,880	
Due to other funds					
Deferred revenues	14,059	1,137	\$ 1,362		
Total Liabilities	<u>\$ 20,458</u>	<u>\$ 1,728</u>	<u>\$ 1,362</u>	<u>\$ 8,880</u>	
Fund balances:					
Restricted					
Stabilization by state Statute	\$ 848	\$ 152			
Economic development	42,376	15,588			
Recreation				\$ 3,005	
Transportation					
Assigned					
Subsequent year's expenditures	57,900				
Unassigned					
Total Fund balances	<u>\$ 101,124</u>	<u>\$ 15,740</u>	<u>\$ 0</u>	<u>\$ 3,005</u>	
Total Liabilities and Fund balances	<u>\$ 121,582</u>	<u>\$ 17,468</u>	<u>\$ 1,362</u>	<u>\$ 11,885</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit C-1

SPECIAL REVENUE FUNDS	CAPITAL	PROJECT	FUNDS	
Total	Sidewalk Construction Project Fund	Main Street Infrastructure Improvement Project Fund	Total	Total Nonmajor Governmental Funds
\$ 122,854	\$ 1,735,232		\$ 1,735,232	\$ 122,854
5,267				1,740,499
15,196				15,196
442				442
7,980				7,980
558		\$ 7,336	7,336	7,894
<u>\$ 152,297</u>	<u>\$ 1,735,232</u>	<u>\$ 7,336</u>	<u>\$ 1,742,568</u>	<u>\$ 1,894,865</u>
\$ 15,870		\$ 375	\$ 375	\$ 16,245
		102,392	102,392	102,392
16,558				16,558
<u>\$ 32,428</u>	<u>\$ 0</u>	<u>\$ 102,767</u>	<u>\$ 102,767</u>	<u>\$ 135,195</u>
\$ 1,000				\$ 1,000
57,964				57,964
3,005	\$ 1,735,232		\$ 1,735,232	3,005
				1,735,232
57,900				57,900
		\$ (95,431)	(95,431)	(95,431)
<u>\$ 119,869</u>	<u>\$ 1,735,232</u>	<u>\$ (95,431)</u>	<u>\$ 1,639,801</u>	<u>\$ 1,759,670</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL		REVENUE		FUNDS	
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Justice Assistance Grant P I C S I P Program Grant Fund	Justice Assistance Grant - WCEPP Program Grant Fund	FEMA - Assistance to Firefighters Program Grant Fund	Oakdale Cemetery Road Widening Grant Fund
Revenues:						
Ad valorem taxes	\$ 231,964	\$ 8,934				
Unrestricted intergovernmental	100,600	2,500				
Restricted intergovernmental			\$ 1,471	\$ 11,193	\$ 139,500	\$ 221,136
Local contributions						
Investment earnings	44	1				
Total Revenues	\$ 332,608	\$ 11,435	\$ 1,471	\$ 11,193	\$ 139,500	\$ 221,136
Expenditures:						
Public safety			\$ 1,471	\$ 11,193	\$ 139,500	
Park maintenance and drainage						
Recreation						
Transportation						\$ 221,136
Economic and physical development	\$ 226,990	\$ 35,761				
Total Expenditures	\$ 226,990	\$ 35,761	\$ 1,471	\$ 11,193	\$ 139,500	\$ 221,136
Revenues over (under) expenditures	\$ 105,618	\$ (24,326)	\$ 0	\$ 0	\$ 0	\$ 0
Other financing sources / (uses):						
Transfer in - General Fund	\$ 27,350	\$ 24,690				
Transfer out - General Fund	(100,000)					
Total other financing sources / (uses)	\$ (72,650)	\$ 24,690	\$ 0	\$ 0	\$ 0	\$ 0
Revenues and other financing sources over / (under) expenditures and other (uses):	\$ 32,968	\$ 364	\$ 0	\$ 0	\$ 0	\$ 0
Fund balances:						
Beginning of year, July 1	68,156	15,376				
End of year, June 30	\$ 101,124	\$ 15,740	\$ 0	\$ 0	\$ 0	\$ 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, 2011

Exhibit C-2

SPECIAL REVENUE FUNDS			CAPITAL	PROJECT FUNDS			Total Nonmajor Governmental Funds
Britton Creek Stormwater Master Plan Grant Fund	Rails-to-Trails Project Grant Fund	Total	Sidewalk Construction Project Fund	East Side Fire Station Construction Project Fund	Main Street Infrastructure Improvement Project Fund	Total	
		\$ 240,898					\$ 240,898
		103,100					103,100
\$ 49,444	\$ 12,980	435,724	\$ 75,000			\$ 75,000	510,724
		45	2,170		\$ 46,213	46,213	46,213
						2,170	2,215
\$ 49,444	\$ 12,980	\$ 779,767	\$ 77,170	\$ 0	\$ 46,213	\$ 123,383	\$ 903,150
		\$ 152,164		\$ 5,156		\$ 5,156	\$ 157,320
\$ 55,000		55,000					55,000
	\$ 9,975	9,975					9,975
		221,136	\$ 104,055		\$ 453,528	557,583	778,719
		262,751					262,751
\$ 55,000	\$ 9,975	\$ 701,026	\$ 104,055	\$ 5,156	\$ 453,528	\$ 562,739	\$ 1,263,765
\$ (5,556)	\$ 3,005	\$ 78,741	\$ (26,885)	\$ (5,156)	\$ (407,315)	\$ (439,356)	\$ (360,615)
\$ 5,556		\$ 57,596			\$ 311,884	\$ 311,884	369,480
		(100,000)					(100,000)
\$ 5,556	\$ 0	\$ (42,404)	\$ 0	\$ 0	\$ 311,884	\$ 311,884	269,480
\$ 0	\$ 3,005	\$ 36,337	\$ (26,885)	\$ (5,156)	\$ (95,431)	\$ (127,472)	\$ (91,135)
		83,532	1,762,117	5,156		1,767,273	1,850,805
\$ 0	\$ 3,005	\$ 119,869	\$ 1,735,232	\$ 0	\$ (95,431)	\$ 1,639,801	\$ 1,759,670



SPECIAL REVENUE FUNDS

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



CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-3

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

2011					
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 221,900	\$ 221,900	\$ 230,692	\$ 8,792	\$ 240,467
Penalties and interest	700	700	1,272	572	1,980
Refunds	(100)	(100)		100	
Total	\$ 222,500	\$ 222,500	\$ 231,964	\$ 9,464	\$ 242,447
Sales and use taxes	\$ 100,600	\$ 100,600	\$ 100,600		\$ 100,600
Investment earnings	200	200	44	(156)	330
Total revenues	\$ 323,300	\$ 323,300	\$ 332,608	\$ 9,308	\$ 343,377
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 274,000	\$ 280,786	\$ 226,990	\$ 53,796	\$ 401,033
Total expenditures	\$ 274,000	\$ 280,786	\$ 226,990	\$ 53,796	\$ 401,033
Revenues over (under) expenditures	\$ 49,300	\$ 42,514	\$ 105,618	\$ (44,488)	\$ (57,656)
Other financing sources / (uses)					
Transfer from General Fund	\$ 27,350	\$ 27,350	\$ 27,350		
Transfer (to) General Fund	(100,000)	(100,000)	(100,000)		\$ (100,000)
Fund balance appropriated	23,350	30,136		\$ (30,136)	
Total other financing sources	\$ (49,300)	\$ (42,514)	\$ (72,650)	\$ (30,136)	\$ (100,000)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 32,968	\$ (74,624)	\$ (157,656)
Fund balances:					
Beginning of year, July 1			68,156		225,812
End of year, June 30			\$ 101,124		\$ 68,156

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, 2011

Exhibit C-4

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

	2011					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual	
	Original	Final	Actual			
Revenues:						
Ad valorem taxes:						
Taxes	\$ 8,200	\$ 8,200	\$ 8,885	\$ 685	\$ 9,980	
Penalties and interest	150	150	49	(101)	338	
Total	\$ 8,350	\$ 8,350	\$ 8,934	\$ 584	\$ 10,318	
Sales and use taxes	\$ 2,500	\$ 2,500	\$ 2,500		\$ 2,500	
Investment earnings			1	1	1	
Total revenues	\$ 10,850	\$ 10,850	\$ 11,435	\$ 585	\$ 12,819	
Expenditures:						
Economic and physical development:						
Operating expenses	\$ 35,540	\$ 35,540	\$ 35,761	\$ (221)	\$ 52,505	
Total expenditures	\$ 35,540	\$ 35,540	\$ 35,761	\$ (221)	\$ 52,505	
Revenues over (under) expenditures	\$ (24,690)	\$ (24,690)	\$ (24,326)	\$ 364	\$ (39,686)	
Other financing sources						
Transfer from General Fund	\$ 24,690	\$ 24,690	\$ 24,690	0	\$ 52,800	
Total other financing sources	\$ 24,690	\$ 24,690	\$ 24,690	\$ 0	\$ 52,800	
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 364	\$ 364	\$ 13,114	
Fund balances:						
Beginning of year, July 1			15,376		2,262	
End of year, June 30			\$ 15,740		\$ 15,376	

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
JUSTICE ASSISTANCE GRANT
POLICE INCIDENT & CRIME SCENE INVESTIGATION PROGRAM (PICSIP)
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-5

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit C-6

SPECIAL REVENUE FUND

JUSTICE ASSISTANCE GRANT

WOMEN & CHILDREN EDUCATION & PROTECTION PROGRAM GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 12,554		\$ 11,193	\$ 11,193	\$ (1,361)
Total revenues	\$ 12,554	\$ 0	\$ 11,193	\$ 11,193	\$ (1,361)
Expenditures :					
Public safety					
Police department					
Grant expense	\$ 12,554		\$ 11,193	\$ 11,193	\$ 1,361
Total expenditures	\$ 12,554	\$ 0	\$ 11,193	\$ 11,193	\$ 1,361
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
FEMA - ASSISTANCE TO FIREFIGHTERS PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-7

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 132,525		\$ 132,525	\$ 132,525	
Local matching contribution	6,975		6,975	6,975	
Total revenues	\$ 139,500	\$ 0	\$ 139,500	\$ 139,500	\$ 0
Expenditures :					
Public safety:					
Fire department-					
Safety equipment (non capital)	\$ 139,500		\$ 139,500	\$ 139,500	
Total expenditures	\$ 139,500	\$ 0	\$ 139,500	\$ 139,500	\$ 0
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
OAKDALE CEMETERY ROAD WIDENING PROJECT GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-8

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 392,760	\$ 169,621	\$ 221,136	\$ 390,757	\$ (2,003)
Total revenues	\$ 392,760	\$ 169,621	\$ 221,136	\$ 390,757	\$ (2,003)
Expenditures :					
Transportation					
Operating expenditures	\$ 392,760	\$ 169,621	\$ 221,136	\$ 390,757	\$ 2,003
Total expenditures	\$ 392,760	\$ 169,621	\$ 221,136	\$ 390,757	\$ 2,003
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
BRITTON CREEK STORMWATER MASTER PLAN PROJECT GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-9

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grant	\$ 50,000		\$ 49,444	\$ 49,444	\$ (556)
Total revenues	\$ 50,000	\$ 0	\$ 49,444	\$ 49,444	\$ (556)
Expenditures :					
Park maintenance, draining					
Operating expenses					
Professional fees	\$ 55,556		\$ 55,000	\$ 55,000	\$ 556
Total expenditures	\$ 55,556	\$ 0	\$ 55,000	\$ 55,000	\$ 556
Revenues over (under) expenditures	\$ (5,556)	\$ 0	\$ (5,556)	\$ (5,556)	\$ 0
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 5,556		\$ 5,556	\$ 5,556	
Total other financing sources	\$ 5,556	\$ 0	\$ 5,556	\$ 5,556	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
RAILS - TO - TRAILS PROJECT GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-10

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 52,000		\$ 7,980	\$ 7,980	\$ (44,020)
Local matching contributions:					
Town of Brevard	5,000		5,000	5,000	0
Total revenues	\$ 57,000	\$ 0	\$ 12,980	\$ 12,980	\$ (44,020)
Expenditures :					
Recreation:					
Operating expenses-					
Professional fees - Impact study					
Railroad / pedestrian hiking trail	\$ 65,000		\$ 9,975	\$ 9,975	\$ 55,025
Total expenditures	\$ 65,000	\$ 0	\$ 9,975	\$ 9,975	\$ 55,025
Revenues over (under) expenditures	\$ (8,000)	\$ 0	\$ 3,005	\$ 3,005	\$ 11,005
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 8,000				
Total other financing sources	\$ 8,000	\$ 0	\$ 0	\$ 0	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 3,005	\$ 3,005	\$ 11,005
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 3,005		

CAPITAL PROJECTS FUNDS

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

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

Exhibit D-1

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

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

Exhibit D-2

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND
MAIN STREET INFRASTRUCTURE IMPROVEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D-3

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Local contributions	\$ 46,213		\$ 46,213	\$ 46,213	
Investment earnings	10,000				\$ (10,000)
Total revenues	\$ 56,213	\$ 0	\$ 46,213	\$ 46,213	\$ (10,000)
Expenditures :					
Transportation:					
Capital outlay- street and sidewalk construction	\$ 2,405,000		\$ 453,528	\$ 453,528	\$ 1,951,472
Total expenditures	\$ 2,405,000	\$ 0	\$ 453,528	\$ 453,528	\$ 1,951,472
Revenues over (under) expenditures	\$ (2,348,787)	\$ 0	\$ (407,315)	\$ (407,315)	\$ 1,941,472
Other financing sources :					
Transfer from General Fund	\$ 311,884		\$ 311,884	\$ 311,884	
General obligation bonds issued	2,100,000				
Total other financing sources	\$ 2,411,884	\$ 0	\$ 311,884	\$ 311,884	
Revenues and other financing sources over expenditures	\$ 63,097	\$ 0	\$ (95,431)	\$ (95,431)	\$ 1,941,472
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ (95,431)		

ENTERPRISE FUNDS

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



CITY OF HENDERSONVILLE, NORTH CAROLINA
ENVIRONMENTAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit E-1

	2011			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual	
Revenues:				
Operating revenues:				
Charges for services:				
Waste collection:				
Residential	\$ 672,390	\$ 672,390	\$ 673,424	\$ 535,353
Commercial	144,610	145,110	142,187	129,621
Total operating revenues	\$ 817,000	\$ 817,500	\$ 815,611	\$ 664,974
Non-operating revenues:				
Investment earnings	\$ 10	\$ 10	\$ 20	\$ 13
State Solid Waste Tax	5,000	5,000	8,904	8,857
Miscellaneous income	500			
Transfer from General Fund	249,790	249,790	249,790	387,600
Total non-operating revenues	\$ 255,300	\$ 254,800	\$ 258,714	\$ 396,470
Total revenues	<u>\$ 1,072,300</u>	<u>\$ 1,072,300</u>	<u>\$ 1,074,325</u>	<u>\$ 1,061,444</u>
Expenditures:				
Waste collection and treatment:				
Salaries and employee benefits	\$ 435,660	\$ 438,660	\$ 427,083	\$ 426,651
Landfill tipping fees	255,000	255,000	187,818	213,127
Other departmental expenses	163,640	165,640	146,923	123,639
Contracted services	218,000	215,000	214,704	207,714
Capital outlay		146,000	142,907	3,093
Total expenditures	\$ 1,072,300	\$ 1,220,300	\$ 1,119,435	\$ 971,131
Revenues over / (under expenditures	\$ 0	\$ (148,000)	\$ (45,110)	\$ (98,840)
Other financing sources:				
Fund balance appropriated	\$ 0	\$ 148,000		\$ (148,000)
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (45,110)</u>	<u>\$ (246,840)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			142,907	
(Decrease) / increase in accrued revenues			(621)	11,806
Decrease / in allowance for uncollectible accounts			14,018	10,176
Depreciation			(35,691)	(25,738)
Decrease in compensated absences			(1,739)	938
(Increase) in other postemployment benefits			(593)	(15,107)
Change in net assets			<u>\$ 73,171</u>	<u>\$ 72,388</u>



CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit E-2
Page 1 of 3

	2011				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual		
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	\$ 8,504,500	\$ 8,504,500	\$ 8,748,507	\$ 244,007	\$ 8,212,609
Sewer charges	4,092,000	4,092,000	4,172,392	80,392	4,010,355
Water and sewer taps	92,000	92,000	125,280	33,280	136,199
Other operating revenues:					
System development charges	188,000	188,000	257,620	69,620	279,869
Other	137,800	137,800	121,901	(15,899)	118,380
Total operating revenues	\$ 13,014,300	\$ 13,014,300	\$ 13,425,700	\$ 411,400	\$ 12,757,412
Non-operating revenues:					
Investment earnings	\$ 17,600	\$ 17,600	\$ 22,068	\$ 4,468	\$ 31,163
Transfer from General Fund	100,880	100,880	100,880		100,880
Sale of fixed assets		32,750	32,225		
Other non-operating revenues	7,500	5,000	12,455	7,455	9,884
Total non-operating revenues	\$ 125,980	\$ 156,230	\$ 167,628	\$ 11,923	\$ 141,927
Total revenues	\$ 13,140,280	\$ 13,170,530	\$ 13,593,328	\$ 423,323	\$ 12,899,339
Expenditures:					
Administration:					
Salaries and employee benefits	\$ 215,730	\$ 223,394	\$ 222,169	\$ 1,225	\$ 216,914
Contracted services	82,000	93,166	65,194	27,972	53,332
Engineering department expense	159,080	159,080	148,137	10,943	149,969
Supplies	10,800	10,330	10,447	(117)	7,343
Other departmental expenses	332,410	314,050	329,785	(15,735)	309,933
Total	\$ 800,020	\$ 800,020	\$ 775,732	\$ 24,288	\$ 737,491
Business operations:					
Salaries and employee benefits	\$ 478,410	\$ 542,610	\$ 549,804	\$ (7,194)	\$ 539,862
Supplies	112,000	62,000	49,378	12,622	65,162
Other departmental expenses	361,550	379,350	388,147	(8,797)	308,433
Total	\$ 951,960	\$ 983,960	\$ 987,329	\$ (3,369)	\$ 913,457
Operations and maintenance:					
Salaries and employee benefits	\$ 403,450	\$ 416,307	\$ 374,805	\$ 41,502	\$ 381,856
Utilities	225,000	235,032	217,540	17,492	207,932
Supplies	27,000	33,762	31,494	2,268	28,944
Other departmental expenses	170,640	163,623	115,159	48,464	133,241
Total	\$ 826,090	\$ 848,724	\$ 738,998	\$ 109,726	\$ 751,973

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit E-2
Page 2 of 3

	2011					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual	
	Original	Final	Actual			
Water treatment plant:						
Salaries and employee benefits	\$ 569,520	\$ 584,754	\$ 572,542	\$ 12,212	\$ 553,972	
Contracted services	32,500	28,000	27,234	766	236,602	
Utilities	340,000	298,000	269,945	28,055	343,789	
Chemicals	360,000	410,630	395,916	14,714	412,161	
Supplies	59,800	57,025	51,066	5,959	60,584	
Other departmental expenses	92,200	88,685	77,791	10,894	96,569	
Total	\$ 1,454,020	\$ 1,467,094	\$ 1,394,494	\$ 72,600	\$ 1,703,677	
Field operations:						
Salaries and employee benefits	\$ 670,750	\$ 663,889	\$ 636,616	\$ 27,273	\$ 656,253	
Supplies	46,500	48,053	49,341	(1,288)	44,955	
Other departmental expenses	91,400	97,074	71,774	25,300	58,955	
Total	\$ 808,650	\$ 809,016	\$ 757,731	\$ 51,285	\$ 760,163	
Water line maintenance:						
Salaries and employee benefits	\$ 679,150	\$ 670,663	\$ 646,339	\$ 24,324	\$ 664,369	
Contracted services	40,000	37,000	7,118	29,882	7,841	
Issues from inventory	350,000	313,167	234,391	78,776	119,936	
Supplies	91,500	102,820	103,774	(954)	84,403	
Other departmental expenses	171,000	198,212	183,756	14,456	132,073	
Total	\$ 1,331,650	\$ 1,321,862	\$ 1,175,378	\$ 146,484	\$ 1,008,622	
Waste treatment plant:						
Salaries and employee benefits	\$ 562,710	\$ 564,435	\$ 556,992	\$ 7,443	\$ 528,871	
Contracted services	22,000	23,209	27,573	(4,364)	29,924	
Sludge management	380,000	370,000	272,641	97,359	247,163	
Utilities	240,000	232,209	222,553	9,656	238,176	
Supplies	48,900	53,117	48,817	4,300	50,339	
Other departmental expenses	130,000	140,640	123,392	17,248	116,481	
Total	\$ 1,383,610	\$ 1,383,610	\$ 1,251,968	\$ 131,642	\$ 1,210,954	
Sewer line maintenance:						
Salaries and employee benefits	\$ 482,250	\$ 482,512	\$ 448,293	\$ 34,219	\$ 421,316	
Contracted services	432,500	332,500	70,852	261,648	115,555	
Issues from inventory	30,000	30,000	19,383	10,617	38,387	
Supplies	71,500	73,380	73,837	(457)	56,261	
Other departmental expenses	61,900	59,758	57,894	1,864	67,137	
Total	\$ 1,078,150	\$ 978,150	\$ 670,259	\$ 307,891	\$ 698,656	

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

Exhibit E-2
Page 3 of 3

	2011				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final			
Budgetary appropriations:					
Interest	\$ 612,460	\$ 580,460	\$ 564,295	\$ 16,165	\$ 689,982
Debt principal	1,970,780	1,970,780	1,938,367	32,413	1,913,510
Capital outlay:					
Equipment	786,000	702,176	206,854	495,322	107,270
Water lines	925,000	1,712,788	546,759	1,166,029	385,885
Sewer lines	144,000	318,000	27,082	290,918	11,000
Total	\$ 4,438,240	\$ 5,284,204	\$ 3,283,357	\$ 2,000,847	\$ 3,107,647
Total expenditures	\$ 13,072,390	\$ 13,876,640	\$ 11,035,246	\$ 2,841,394	\$ 10,892,640
Revenues over (under) expenditures	\$ 67,890	\$ (706,110)	\$ 2,558,082	\$ 3,264,717	\$ 2,006,699
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Transfers (to) Capital Projects Funds	(1,170,120)	(3,999,420)	\$ (1,145,918)	2,853,502	\$ (2,707,500)
Transfers from Capital Projects Funds			147,510		
Fund balance appropriated	1,302,230	4,905,530		(4,905,530)	
Total other financing sources (uses)	\$ (67,890)	\$ 706,110	\$ (998,408)	\$ (1,852,028)	\$ (2,707,500)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 1,559,674	\$ 1,412,689	\$ (700,801)
Reconciliation of modified accrual basis to full accrual basis:					
Increase / (decrease) in accrued revenues			(19,873)		121,589
(Increase) / decrease in allowance for doubtful accounts			(19,316)		13,729
Capital grant in capital project fund			285,014		216,558
Payment of debt principal			1,938,367		1,913,510
Capital outlay			780,695		504,155
Book value of disposed equipment			(354,341)		
Transfers to capital projects funds			998,408		2,707,500
Decrease in bond and note interest accrued			15,620		15,314
Amortization of defeasance loss					(14,292)
Depreciation			(2,443,939)		(1,774,318)
(Increase) / decrease in compensated absences			(16,807)		8,390
(Increase) in other postemployment benefits liability			(22,854)		(38,319)
Change in net assets			\$ 2,700,648		\$ 2,973,015



WATER AND SEWER CAPITAL PROJECT FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
BRIGHTWATER HEIGHTS WATER SYSTEM PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit E-3

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant - EPA / S T A G funds	\$ 547,250	\$ 294,148	\$	\$ 294,148	\$ (253,102)
State grant - High Unit Cost grant	247,817	\$ 292,960	0	292,960	45,143
Total revenues	\$ 795,067	\$ 587,108	\$ 0	\$ 587,108	\$ (207,959)
Expenditures -					
Waterline construction:					
Engineering	\$ 117,405	\$ 162,932	\$ 1,830	\$ 164,762	\$ (47,357)
Customer portion	180,000				180,000
Construction	821,857	1,005,814	28,289	1,034,103	(212,246)
Contingencies	97,800				97,800
Total expenditures	\$ 1,217,062	\$ 1,168,746	\$ 30,119	\$ 1,198,865	\$ 18,197
Revenues over (under) expenditures	\$ (421,995)	\$ (581,638)	\$ (30,119)	\$ (611,757)	\$ (189,762)
Other financing sources:					
Proceeds of borrowing					
State Revolving Loan Fund	\$ 199,933	\$ 492,148	\$	\$ 492,148	\$ 292,215
Transfer from Water & Sewer Fund	222,062	222,062		222,062	
Transfer (to) Water & Sewer Fund			(102,453)	(102,453)	(102,453)
Total other financing sources	\$ 421,995	\$ 714,210	\$ (102,453)	\$ 611,757	\$ 189,762
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 132,572	\$ (132,572)	\$ 0	\$ 0

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, 2011

Exhibit E-4

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 190,000	\$ 233,927		\$ 233,927	\$ 43,927
Total revenues	\$ 190,000	\$ 233,927	\$ 0	\$ 233,927	\$ 43,927
Expenditures -					
Waterline construction:					
Engineering	\$ 1,225,000	\$ 1,151,349	\$ 61,290	\$ 1,212,639	\$ 12,361
Construction	17,296,300	17,611,476	172,255	17,783,731	(487,431)
Contingencies	1,378,700				1,378,700
Total expenditures	\$ 19,900,000	\$ 18,762,825	\$ 233,545	\$ 18,996,370	\$ 903,630
Revenues over (under) expenditures	\$ (19,710,000)	\$ (18,528,898)	\$ (233,545)	\$ (18,762,443)	\$ 947,557
Other financing sources:					
Proceeds of borrowing	\$ 10,000,000	\$ 10,000,000		\$ 10,000,000	
Transfer from Water & Sewer Fund	9,710,000	8,807,500	\$ 175,000	8,982,500	\$ (727,500)
Transfer (to) Water & Sewer Fund			(220,057)	(220,057)	(220,057)
Total other financing sources	\$ 19,710,000	\$ 18,807,500	\$ (45,057)	\$ 18,762,443	\$ (947,557)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 278,602	\$ (278,602)	\$ 0	\$ 0

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

Exhibit E-5

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grant - NCRCDG	\$ 500,000	\$ 214,986	\$ 285,014	\$ 500,000	\$ 0
Total revenues	\$ 500,000	\$ 214,986	\$ 285,014	\$ 500,000	\$ 0
Expenditures -					
Waterline construction:					
Engineering	\$ 264,800	\$ 205,138	\$ 31,149	\$ 236,287	\$ 28,513
Land and R-O-W purchases	93,300	9,848	214,960	224,808	(131,508)
Construction	1,214,720		1,184,823	1,184,823	29,897
Contingencies	97,299				97,299
Total expenditures	\$ 1,670,119	\$ 214,986	\$ 1,430,932	\$ 1,645,918	\$ 24,201
Revenues over (under) expenditures	\$ (1,170,119)	\$ 0	\$ (1,145,918)	\$ (1,145,918)	\$ 24,201
Other financing sources:					
Transfer - Water & Sewer Fund	\$ 1,170,119		\$ 1,145,918	\$ 1,145,918	\$ (24,201)
Total other financing sources	\$ 1,170,119	\$ 0	\$ 1,145,918	\$ 1,145,918	\$ (24,201)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0





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

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2011

Exhibit F-2

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government:						
Administration	\$ 58,041	\$ 1,202,795				\$ 1,260,836
Finance		1,282,047				1,282,047
City engineer				\$ 51,894		51,894
Information technology				182,163		182,163
Central services		294,385	\$ 50,380	77,390		422,155
Public buildings				123,418		123,418
Total general government	\$ 58,041	\$ 2,779,227	\$ 50,380	\$ 434,865	\$ 0	\$ 3,322,513
Public safety:						
Police		\$ 2,136,747		\$ 1,484,113		\$ 3,620,860
Fire	\$ 685,000	1,295,871		1,792,849		3,773,720
Zoning				37,195		37,195
Total public safety	\$ 685,000	\$ 3,432,618	\$ 0	\$ 3,314,157	\$ 0	\$ 7,431,775
Transportation:						
Administration	\$ 62,392	\$ 1,109,500	\$ 127,102	\$ 55,316		\$ 1,354,310
Streets and highways	764,257	83,783	594,315	838,391	\$ 12,146,687	14,427,433
Traffic engineering				73,829		73,829
Total transportation	\$ 826,649	\$ 1,193,283	\$ 721,417	\$ 967,536	\$ 12,146,687	\$ 15,855,572
Park maintenance, drainage and lot clearing	\$ 1,253,009	\$ 547,332	\$ 3,080,339	\$ 268,128	\$ 0	5,148,808
Totals	\$ 2,822,699	\$ 7,952,460	\$ 3,852,136	\$ 4,984,686	\$ 12,146,687	\$ 31,758,668

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, 2011

Exhibit F-3

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2011
General government:					
Administration	\$ 1,267,077		\$ 6,241		\$ 1,260,836
Finance	1,287,504		5,457		1,282,047
City engineer	51,894				51,894
Information technology	129,168	\$ 52,995			182,163
Central services	422,155				422,155
Public buildings	123,418				123,418
Total general government	\$ 3,281,216	\$ 52,995	\$ 11,698	\$ 0	\$ 3,322,513
Public safety:					
Police	\$ 3,645,350	\$ 103,402	\$ 127,892		\$ 3,620,860
Fire	3,724,406	49,314			3,773,720
Zoning	37,195				37,195
Total public safety	\$ 7,406,951	\$ 152,716	\$ 127,892	\$ 0	\$ 7,431,775
Transportation:					
Administration	\$ 1,354,310				\$ 1,354,310
Streets and highways	2,290,121		\$ 20,800	\$ 11,426	2,280,747
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	211,709	\$ 151,169			362,878
Sidewalk systems	2,320,926	267,637			2,588,563
Street systems	5,124,341	151,169			5,275,510
Traffic engineering	76,355	8,900		(11,426)	73,829
Total transportation	\$ 15,297,497	\$ 578,875	\$ 20,800	\$ 0	\$ 15,855,572
Park maintenance, drainage and lot clearing	\$ 5,111,652	\$ 62,761	\$ 25,605	\$	\$ 5,148,808
Totals	\$ 31,097,316	\$ 847,347	\$ 185,995	\$ 0	\$ 31,758,668



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, 2011

Exhibit G-1

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and investments	<u>\$ 416</u>	<u>\$ 10,583</u>	<u>\$ 9,040</u>	<u>\$ 1,959</u>
LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 416</u>	<u>\$ 10,583</u>	<u>\$ 9,040</u>	<u>\$ 1,959</u>



SCHEDULES SECTION



PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Exhibit H-1

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011		\$ 6,680,920	\$ 6,471,376	\$ 209,544
2009-2010	\$ 191,374		131,556	59,818
2008-2009	84,155		41,186	42,969
2007-2008	41,268		11,461	29,807
2006-2007	22,630		2,132	20,498
2005-2006	12,912		696	12,216
2004-2005	8,493		192	8,301
2003-2004	5,852		13	5,839
2002-2003	9,923		184	9,739
2001-2002	5,946		22	5,924
2000-2001	7,748		7,748	0
	<u>\$ 390,301</u>	<u>\$ 6,680,920</u>	<u>\$ 6,666,566</u>	<u>\$ 404,655</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>124,840</u>
Ad valorem taxes receivable, net				<u>\$ 279,815</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 6,697,052
Reconciling items:				
Refunds				417
Interest collected				(46,185)
Releases				7,534
Taxes written off after 10 years				7,748
Total collections and credits				<u>\$ 6,666,566</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit H-2

	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 1,755,652,100	\$ 0.38	\$ 6,671,478	\$ 6,376,612	\$ 294,866
Penalties			9,442	9,442	
Net levy	<u>\$ 1,755,652,100</u>		\$ 6,680,920	\$ 6,386,054	\$ 294,866
Uncollected taxes at June 30, 2011			<u>209,544</u>	<u>189,967</u>	<u>19,577</u>
Current year's taxes collected			<u>\$ 6,471,376</u>	<u>\$ 6,196,087</u>	<u>\$ 275,289</u>
Current levy collection percentage			<u>96.86%</u>	<u>97.03%</u>	<u>93.36%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit H-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,545,317,723
Personal Property	185,898,562
Public Service Companies (2)	<u>24,435,815</u>
Total Assessed Valuation	<u>\$ 1,755,652,100</u>
Tax Rate per \$100	<u>\$ 0.38</u>
Levy (includes discoveries, releases, abatements) (3)	<u>\$ 6,680,920</u>

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
PRINCIPAL TAXPAYERS
JUNE 30, 2011

Exhibit H-2b

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ASSESSED VALUE</u>	<u>% of TOTAL ASSESSED VALUE</u>
Ingles Markets, Inc.	Grocery Chain	\$ 20,864,600	1.19%
Boyd L. Hyder	Entrepreneur	16,927,800	0.96%
Wal-Mart Stores, Inc.	Retail Sales	18,598,000	1.06%
Highland Investors, LLC	Nursing Homes	14,907,800	0.85%
Lowes of Hendersonville	Home Improvement	10,910,700	0.62%
First Citizens Bank	Banking Service	9,349,100	0.53%
Home Depot	Home Improvement	10,913,600	0.62%
Blue Ridge Mall, LTD.	Retail Sales	11,698,500	0.67%
Henderson Crossing Shopping Center	Retail Sales	11,432,500	0.65%
Triangle Real Estate	Real Estate Sales	11,383,100	0.65%
	Total	<u>\$ 136,985,700</u>	<u>7.80%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Exhibit H-3

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011		\$ 237,790	\$ 228,360	\$ 9,430
2009-2010	\$ 4,803		1,380	3,423
2008-2009	2,917		555	2,362
2007-2008	2,697		1,136	1,561
2006-2007	997		45	952
2005-2006	255			255
2004-2005	396			396
2003-2004	33			33
2002-2003	341			341
2001-2002	297		165	132
2000-2001	330		330	0
	<u>\$ 13,066</u>	<u>\$ 237,790</u>	<u>\$ 231,971</u>	<u>\$ 18,885</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>4,826</u>
Ad valorem taxes receivable - net				<u>\$ 14,059</u>
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 231,964
Reconciling items:				
Interest collected				(1,272)
Releases				949
Taxes written off after 10 years				<u>330</u>
Total collections and credits				<u>\$ 231,971</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit H-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 94,902,000	\$ 0.25	\$ 237,255	\$ 234,308	\$ 2,947
Penalties			535	535	
Net levy	<u>\$ 94,902,000</u>		\$ 237,790	\$ 234,843	\$ 2,947
Uncollected taxes at June 30, 2011			<u>9,430</u>	<u>9,269</u>	<u>161</u>
Current year's taxes collected			<u>\$ 228,360</u>	<u>\$ 225,574</u>	<u>\$ 2,786</u>
Current levy collection percentage			<u>96.03%</u>	<u>96.05%</u>	<u>94.54%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Exhibit H-5

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011		\$ 8,897	\$ 8,757	\$ 140
2009-2010	\$ 263		64	199
2008-2009	332			332
2007-2008	146			146
2006-2007	270		22	248
2005-2006	10			10
2004-2005	26			26
2003-2004	123			123
2002-2003	62		41	21
2001-2002	98			98
2000-2001	11		11	0
	<u>\$ 1,341</u>	<u>\$ 8,897</u>	<u>\$ 8,895</u>	<u>\$ 1,343</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>206</u>
Ad valorem taxes receivable - net				<u>\$ 1,137</u>
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 8,934
Reconciling items:				
Interest collected				(49)
Taxes written off after 10 years				<u>10</u>
Total collections and credits				<u>\$ 8,895</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2011

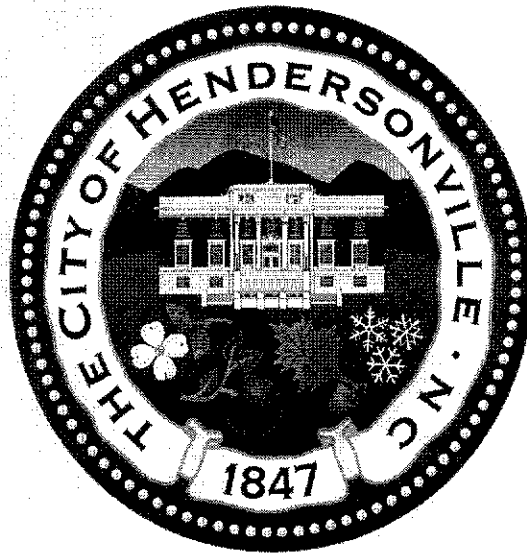
Exhibit H-6

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	\$ 11,100,000	\$ 0.08	\$ 8,880	\$ 8,425	\$ 455
Penalties			17	17	
Net levy	<u>\$ 11,100,000</u>		\$ 8,897	\$ 8,442	\$ 455
Uncollected taxes at June 30, 2011			140	133	7
Current year's taxes collected			<u>\$ 8,757</u>	<u>\$ 8,309</u>	<u>\$ 448</u>
Current levy collection percentage			<u>98.43%</u>	<u>98.42%</u>	<u>98.46%</u>

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



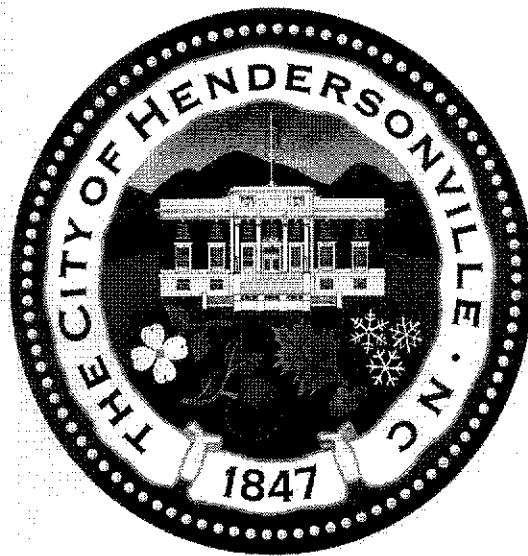
TRANSFERS



CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit H-7

	<u>FROM</u>	<u>TO</u>
Transfers From/To Other Funds:		
General Fund	\$ 720,150	
Enterprise Funds:		
Environmental Service Fund		\$ 249,790
Water & Sewer Fund		100,880
Governmental Funds:		
Capital Reserve Fund		245,472
Downtown Tax District Fund		27,350
Seventh Avenue Tax District Fund		24,690
Britton Creek Stormwater Master Plan Project Grant Fund		5,556
Main Street Infrastructure Improvement Capital Project Fund		66,412
Downtown Tax District Fund	100,000	
General Fund		100,000
Capital Reserve Fund	558,832	
General Fund		313,360
Main Street Infrastructure Improvement Capital Project Fund		245,472
	<u>\$ 1,378,982</u>	<u>\$ 1,378,982</u>
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 100,000	
Law enforcement services	40,000	
General Fund		\$ 140,000
Total - component units	<u>\$ 140,000</u>	<u>\$ 140,000</u>



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	101
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	107
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
Debt Capacity	111
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	115
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	117
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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066	\$ 13,737,365	\$ 16,738,488	\$ 16,738,488
Restricted	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	171,898
Unrestricted	(A)	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504	11,249,729	8,059,282	8,059,282
Total Governmental Activities Net Assets		<u>\$ 18,131,054</u>	<u>\$ 18,845,488</u>	<u>\$ 21,384,070</u>	<u>\$ 22,874,740</u>	<u>\$ 23,566,607</u>	<u>\$ 25,256,088</u>	<u>\$ 25,264,303</u>	<u>\$ 24,969,668</u>	<u>\$ 24,969,668</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938	\$ 43,280,673	\$ 48,628,499	\$ 48,628,499
Restricted	(A)	-	-	-	-	-	-	-	-	-
Unrestricted	(A)	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335	22,481,842	20,179,419	20,179,419
Total Business-Type Activities Net assets		<u>\$ 46,555,676</u>	<u>\$ 46,019,075</u>	<u>\$ 50,061,192</u>	<u>\$ 55,139,835</u>	<u>\$ 60,473,215</u>	<u>\$ 64,108,273</u>	<u>\$ 65,762,515</u>	<u>\$ 68,807,918</u>	<u>\$ 68,807,918</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004	\$ 57,018,038	\$ 65,366,987	\$ 65,366,987
Restricted	(A)	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	171,898
Unrestricted	(A)	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839	33,731,571	28,238,701	28,238,701
Total Primary Government Net Assets		<u>\$ 64,686,730</u>	<u>\$ 64,864,563</u>	<u>\$ 71,445,262</u>	<u>\$ 78,014,575</u>	<u>\$ 84,039,822</u>	<u>\$ 89,364,361</u>	<u>\$ 91,026,818</u>	<u>\$ 93,777,586</u>	<u>\$ 93,777,586</u>

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



CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
General Government	(A)	\$ 1,317,680	\$ 1,361,553	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039	\$ 2,043,475	\$ 2,181,689	\$ 2,152,324
Public Safety	(A)	4,407,809	4,588,455	4,876,373	4,960,503	5,248,972	5,904,878	6,046,707	6,230,577	6,256,423
Environmental Protection	(A)	422,214	8,300	5,000	5,000	-	-	-	-	-
Economic and Physical Development	(A)	135,462	221,752	192,117	180,915	365,940	239,525	342,472	453,538	262,751
Transportation	(A)	1,555,299	1,286,798	1,438,031	1,191,132	1,583,224	1,582,437	1,928,695	1,869,352	2,155,725
Parks and Drainage	(A)	-	373,535	251,391	488,727	464,033	515,024	799,405	223,094	642,849
Cultural and Recreation	(A)	53,781	107,953	429,747	133,574	161,687	220,864	197,333	588,305	200,772
Interest on Long-Term Obligations	(A)	118,693	206,646	230,441	215,476	211,358	186,416	232,634	229,642	215,749
Total Governmental Activities Expenses	(A)	8,010,938	8,154,992	9,021,543	8,765,539	9,804,204	10,696,183	11,590,721	11,776,197	11,886,593
Business-Type Activities:										
Water and Sewer Fund	(A)	8,012,256	11,174,479	8,803,851	8,925,895	9,349,299	10,498,295	11,243,016	10,278,199	10,784,165
Solid Waste Fund	(A)	748,061	775,301	867,522	989,812	948,235	965,119	1,016,654	1,011,039	1,014,552
Total Business-Type Activities Expenses	(A)	8,760,317	11,949,780	9,671,373	9,915,707	10,297,534	11,463,414	12,259,670	11,289,238	11,798,717
Total Primary Government Expenses	(A)	\$ 16,771,255	\$ 20,104,772	\$ 18,692,916	\$ 18,681,246	\$ 20,101,738	\$ 22,159,597	\$ 23,850,391	\$ 23,065,435	\$ 23,685,310
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	(A)	\$ 177,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	(A)	41,808	190,437	142,305	161,804	133,358	159,579	154,633	153,171	163,982
Transportation	(A)	48,028	56,448	43,707	59,204	73,357	70,791	72,426	69,058	73,432
Parks and Drainage	(A)	-	41,960	18,850	21,030	21,350	23,450	17,850	15,000	11,850
Cultural and Recreational	(A)	27,735	-	49,818	84,178	101,780	119,147	145,221	154,555	164,349
Other Activities	(A)	6,680	-	-	-	-	-	-	-	-
Operating Grants and Contributions	(A)	788,801	638,783	673,487	509,555	410,529	497,857	511,908	627,018	823,010
Capital Grants and Contributions	(A)	282,806	32,029	1,653,745	726,529	162,159	178,328	214,998	400,000	75,000
Total Governmental Activities Program Revenues	(A)	1,373,005	959,657	2,581,912	1,562,300	902,533	1,049,152	1,117,036	1,418,802	1,311,623
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	(A)	8,750,588	10,174,684	11,471,824	12,586,225	13,112,540	12,846,457	12,040,335	12,892,729	13,386,511
Other Activities	(A)	338,918	323,079	347,044	507,746	530,470	543,892	671,189	695,814	837,913
Operating Grants and Contributions	(A)	1,132,700	-	-	-	-	-	-	-	-
Capital Grants and Contributions	(A)	2,894,789	140,452	648,545	660,761	-	-	-	-	-
Total Business-Type Activities Program Revenues	(A)	13,116,995	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349	12,711,524	13,588,543	14,224,424
Total Primary Government Program Revenues	(A)	\$ 14,490,000	\$ 11,597,872	\$ 15,049,325	\$ 15,317,032	\$ 14,545,543	\$ 14,439,501	\$ 13,828,560	\$ 15,007,345	\$ 15,536,047

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue										
Governmental Activities	(A)	\$ (6,637,933)	\$ (7,195,335)	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)	\$ (10,473,685)	\$ (10,357,395)	\$ (10,574,970)
Business-Type Activities	(A)	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935	451,854	2,299,305	2,425,707
Total Primary Government Net (Expense)/Revenue	(A)	\$ (2,281,255)	\$ (8,506,900)	\$ (3,643,591)	\$ (3,364,214)	\$ (5,556,195)	\$ (7,720,096)	\$ (10,021,831)	\$ (8,058,090)	\$ (8,149,263)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	\$ 4,625,261	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539	\$ 6,937,950
Sales & Use Tax	(A)	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827	2,101,938	2,134,526
Other Taxes	(A)	85,549	79,741	76,151	79,707	76,478	80,352	88,077	158,441	88,077
Unrestricted Intergovernmental Revenue	(A)	740,955	847,401	874,925	912,419	981,492	1,157,165	1,321,124	1,283,006	1,703,333
Restricted Intergovernmental Revenue	(A)	983,607	785,731	2,390,042	1,320,271	658,093	699,273	744,405	1,113,434	975,848
Permits and Fees	(A)	73,840	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573
Sales and Services	(A)	88,293	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706
Investment Earnings	(A)	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430
Miscellaneous	(A)	139,265	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301
Total Governmental Activities	(A)	8,717,283	9,482,491	11,815,032	11,709,130	11,767,279	12,490,745	11,892,771	12,028,924	12,352,744
Business-Type activities:										
Investment Earnings	(A)	466,087	119,052	295,222	511,490	699,364	867,850	451,425	31,163	22,068
Transfers	(A)	-	100,880	100,880	100,880	875,880	100,880	100,880	100,880	100,880
FEMA Settlement	(A)	-	-	66,312	-	-	-	-	-	-
Sale of Fixed Assets	(A)	-	-	821,550	4,150	100	-	-	-	-
Miscellaneous	(A)	65,290	53,475	19,427	16,220	5,678	4,680	29,639	9,884	12,455
Total Business-Type Activities	(A)	531,377	273,407	1,303,391	632,740	1,581,022	973,410	581,944	141,927	135,403
Total Primary Government	(A)	9,248,660	9,755,898	13,118,423	12,341,870	13,348,301	13,464,155	12,474,715	12,170,851	12,488,147
Change in Net Assets:										
Governmental Activities	(A)	2,079,350	2,287,156	5,375,401	4,505,891	2,865,608	2,843,714	1,419,086	1,671,529	1,777,774
Business-Type Activities	(A)	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345	1,033,798	2,441,232	2,561,110
Total Primary Government	(A)	\$ 6,967,405	\$ 1,248,998	\$ 9,474,832	\$ 8,977,656	\$ 7,792,106	\$ 5,744,059	\$ 2,452,884	\$ 4,112,761	\$ 4,338,884

(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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Restricted for Stabilization by State Statute	\$ 761,242	\$ 860,691	\$ 895,837	\$ 1,333,552	\$ 1,049,970	\$ 819,243	\$ 848,265	\$ 737,031	\$ 756,414	\$ 922,385
Restricted for Law Enforcement	14,815	37,616	43,487	78,547	81,371	86,815	115,110	70,951	78,158	106,326
Restricted for Streets	314,345	340,511	618,825	448,609	319,781	56,300	202,518	277,209	171,898	221,653
Assigned - Subsequent Year's Expenditures	928,730	592,850	365,790	880,450	784,600	916,940	867,860	1,009,920	929,690	929,710
Unassigned	9,580,744	8,274,733	8,457,101	7,528,389	8,818,706	9,225,343	8,177,929	7,812,850	7,169,323	7,022,022
Total General Fund	\$ 11,599,876	\$ 10,106,401	\$ 10,381,040	\$ 10,269,547	\$ 11,054,428	\$ 11,104,641	\$ 10,211,682	\$ 9,907,961	\$ 9,105,483	\$ 9,202,096
All Non-Major Funds										
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	-	-	\$ 1,000
Restricted for Economic Development	-	-	-	-	-	59,272	358,502	230,703	83,380	57,964
Restricted for Recreation	-	-	-	-	-	-	-	-	-	3,005
Restricted for Transportation	259,384	337,364	281,985	278,462	273,319	269,116	207,018	2,022,107	1,766,967	1,735,232
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	-	-	57,900
Unassigned	-	\$ -	-	-	-	-	-	-	-	(95,431)
Total All Non-Major Funds	\$ 259,384	\$ 337,364	\$ 281,985	\$ 278,462	\$ 273,319	\$ 328,388	\$ 565,520	\$ 2,252,810	\$ 1,850,347	\$ 1,759,670
Total All Governmental Funds	\$ 11,859,260	\$ 10,443,765	\$ 10,663,025	\$ 10,548,009	\$ 11,327,747	\$ 11,433,029	\$ 10,777,202	\$ 12,160,771	\$ 10,955,830	\$ 10,961,766

Note: Schedule has been updated for implementation of GASB 54.



CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes by Source:										
Property Tax	\$ 4,379,640	\$ 4,625,261	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539	\$ 6,937,950
Sales Tax	1,740,809	1,829,132	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,430,837	2,205,038	2,237,626
Other Taxes	82,865	85,549	79,741	76,151	79,707	76,478	80,352	88,077	158,441	487,152
Unrestricted Intergovernmental	501,849	740,955	847,401	874,925	912,419	981,492	1,157,165	1,149,114	1,179,906	1,201,158
Restricted Intergovernmental	798,413	983,607	785,731	2,390,042	1,320,271	638,093	699,273	744,405	1,113,434	975,848
Permits and Fees	65,156	73,840	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573
Sales and Services	103,129	88,293	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706
Investment Earnings	449,751	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430
Miscellaneous	77,238	139,265	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301
Total Revenues	\$ 8,198,850	\$ 8,717,283	\$ 9,482,491	\$ 11,815,032	\$ 11,709,130	\$ 11,767,279	\$ 12,490,745	\$ 11,892,771	\$ 12,028,924	\$ 12,352,744
Expenditures										
Current:										
General Government	1,320,254	1,439,074	3,515,848	3,759,810	1,659,478	1,695,560	2,048,160	1,946,835	2,103,217	2,052,333
Public Safety	3,985,720	4,274,004	4,731,263	5,360,838	4,676,287	5,449,495	5,667,741	5,919,723	6,472,416	6,018,523
Transportation	1,442,117	2,238,774	1,069,130	2,386,618	2,277,258	1,800,734	2,059,788	1,830,773	2,001,261	2,233,485
Park Maintenance & Drainage	342,621	433,062	383,006	490,495	567,525	469,048	1,083,802	649,406	527,228	557,500
Economic & Physical Development	187,418	135,462	230,052	197,117	300,194	365,940	901,266	390,748	453,538	262,751
Cultural and Recreation	32,965	53,781	107,953	429,747	133,574	161,687	259,368	903,431	588,305	200,772
Capital Outlay -- See Capital Asset										
Expenditures on Next Page										
Debt Service:										
Principal	239,827	243,940	359,283	471,026	475,296	323,333	323,333	323,333	373,333	373,333
Interest and Fees	130,504	120,648	180,429	234,207	218,542	214,108	189,739	207,856	232,928	219,650
Total Expenditures	\$ 7,681,426	\$ 8,938,745	\$ 10,576,964	\$ 13,329,858	\$ 10,308,154	\$ 10,479,905	\$ 12,533,197	\$ 12,172,105	\$ 12,752,226	\$ 11,918,347
Excess of Revenues Over (Under) Expenditures	\$ 517,424	\$ (221,462)	\$ (1,094,473)	\$ (1,514,826)	\$ 1,400,976	\$ 1,287,374	\$ (42,452)	\$ (279,334)	\$ (723,302)	\$ 434,397

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100,000	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) Other Funds:										
Enterprise Fund: Solid Waste Fund	(467,900)	(465,000)	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)	(292,058)	(387,600)	(249,790)
Water and Sewer Fund	(592,597)	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	529,050	-	-	-	-	-	-
Capital Projects Fund - City Hall Renovation	-	-	-	(328,200)	243,651	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	-	-	-	1,341,600	542,630	1,527,160	865,000	552,760	870,899	313,360
Capital Reserve Fund - General Fund Contribution	796,717	1,190,000	516,417	1,341,600	-	(743,516)	(870,323)	-	-	-
Capital Projects Fund - Wash Creek Project	-	(1,034,447)	-	(742,675)	-	-	-	(45,084)	-	-
Capital Projects Fund - Skate Park Project	-	-	-	-	-	-	(175,000)	(114,297)	-	-
Special Revenue Fund - Homeland Security	-	-	-	(72,000)	-	-	-	-	-	-
Greenways Phase II Grant Fund	-	-	-	-	-	-	(202,000)	-	-	-
Downtown Tax District - General Fund Reimbursement	-	-	-	-	-	-	-	75,000	100,000	100,000
Downtown Tax District	-	-	-	-	-	-	-	-	-	(27,350)
Downtown Tax District - Main Street Project	(10,000)	-	-	-	-	-	(494,805)	(110,677)	-	(66,412)
Seventh Avenue Tax District - General Fund Contribution	3,370	-	-	-	(5,300)	-	-	(64,500)	(52,800)	(24,690)
Britton Creek Stormwater Master Plan Project	-	-	-	-	-	-	-	-	-	(5,556)
Operating Transfers: Law Enforcement	20,000	20,000	-	-	-	-	-	-	-	-
Profit Distribution	78,000	81,500	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(172,410)	(988,207)	(98,303)	50,185	(542,558)	(686,800)	877,128	(293,201)	(918,099)	(43,880)
					(475,837)	(1,191,696)	(641,670)	1,707,063	(488,480)	(350,670)
Net Change in Fund Balances	345,014	(1,209,669)	(1,192,776)	(1,464,641)	925,139	95,678	(684,122)	1,427,729	(1,211,782)	83,727
Capital Asset Expenditures	551,358	1,287,849	2,791,190	4,654,349	\$ 1,264,009	\$ 1,361,822	\$ 2,534,977	\$ 1,563,982	\$ 2,021,203	\$ 847,347
Debt Service as a Percentage of Noncapital Expenditures	5.2%	4.8%	6.9%	8.1%	7.7%	5.9%	5.1%	5.0%	5.6%	5.4%

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					
2002	\$ 108,593,246	\$ 664,342,693	\$ 65,713,556	\$ 111,626,793	\$ 2,634,510	\$ 947,641,778	\$ 0.85	\$ 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	0.85	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	0.83	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	0.83	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	0.83	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	0.83	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	0.71	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	0.71	1,734,539,856	99.4%
2010	590,859,360	952,532,747	75,788,947	128,456,653	12,559,607	1,735,078,100	0.71	1,737,705,121	99.8%
2011	597,213,641	962,905,589	77,596,316	132,738,061	14,801,507	1,755,652,100	0.71	1,757,636,949	99.9%

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates:										
General Fund Rate	\$ 0.450	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.380
Downtown Tax District	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.250
Seventh Avenue District	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080
Total Direct Rate	\$ 0.850	\$ 0.850	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710
County Rates:										
Henderson County	0.500	0.500	0.475	0.475	0.515	0.565	0.462	0.462	0.462	0.462
Town of Fletcher	0.250	0.270	0.250	0.270	0.270	0.270	0.270	0.270	0.270	0.320
Town of Laurel Park	0.310	0.310	0.300	0.310	0.310	0.335	0.270	0.270	0.270	0.310
Town of Saluda	0.500	0.500	0.500	0.500	0.500	0.540	0.605	0.605	0.515	0.515
Town of Mills River	-	-	0.070	0.075	0.075	0.075	0.075	0.075	0.075	0.075
Village of Flat Rock	-	-	-	-	0.085	0.085	0.075	0.075	0.075	0.075
Fire (14) District Rates:										
From Lowest	0.065	0.065	0.060	0.065	0.065	0.065	0.060	0.060	0.060	0.060
To Highest	0.120	0.120	0.120	0.115	0.115	0.115	0.115	0.115	0.115	0.115
Special Purpose District Rates:										
Downtown Tax District	0.300	0.300	0.300	0.300	0.300	0.300	0.250	0.250	0.250	0.250
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.100	0.100	0.080	0.080	0.080	0.080

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2011

UNAUDITED

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 20,864,600	1	1.19%	\$ 20,294,802	2	2.04%
Boyd L. Hyder	16,927,800	3	0.96%	9,255,911	10	0.93%
Wal-Mart, Inc.	18,598,000	2	1.06%	21,642,500	1	2.17%
Highland Investors, LLC	14,907,800	4	0.85%	12,747,400	4	1.28%
Lowe's of Hendersonville	10,910,700	9	0.62%	10,695,960	7	1.07%
First Citizens Bank	9,349,100	10	0.53%	15,410,693	3	1.55%
Home Depot	10,913,600	8	0.62%	10,504,211	8	1.06%
Blue Ridge Mall, LTD	11,698,500	5	0.67%	9,985,680	9	1.00%
Henderson Crossing Shopping Center	11,432,500	6	0.65%	-		
Triangle Real Estate, Inc.	11,383,100	7	0.65%	-		
Duke Energy	-			-		
BellSouth	-			11,285,179	6	1.13%
HCRINC Properties	-			12,177,400	5	1.22%
Carolina Village Inc.	-			-		
Totals	\$ 136,985,700		7.80%	\$ 121,252,336		13.46%

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		Collections in Subsequent Years	Total Collections to Date	
				Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 3,781,531	\$ 182,146	\$ 3,963,677	\$ 3,866,099	97.54%	\$ 71,025	\$ 3,937,124	99.33%
2003	3,896,307	299,574	4,195,881	4,070,731	97.02%	73,978	4,144,709	98.78%
2004	4,281,731	407,473	4,689,204	4,593,772	97.96%	60,096	4,653,868	99.25%
2005	4,636,382	118,923	4,755,305	4,667,594	98.16%	85,213	4,752,807	99.95%
2006	4,826,530	161,133	4,987,663	4,891,685	98.08%	81,782	4,973,467	99.72%
2007	5,019,939	209,399	5,229,338	5,130,561	98.11%	79,125	5,209,686	99.62%
2008	5,952,337	490,571	6,442,908	6,314,694	98.01%	78,257	6,392,951	99.22%
2009	6,071,297	488,524	6,559,821	6,335,116	96.57%	60,492	6,395,608	97.50%
2010	6,181,286	415,320	6,596,718	6,405,344	97.10%	140,550	6,545,894	99.23%
2011	\$ 6,252,523	\$ 428,397	\$ 6,680,920	\$ 6,471,376	96.86%	\$ 131,556	\$ 6,602,932	98.83%

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		Notes Payable	General		Notes Payable					
	Obligation Bonds	Other Bonds		Obligation Bonds	Other Bonds						
2002	\$ 1,440,000	\$ -	\$ 576,958	\$ 2,545,000	\$ -	\$ 16,712,505	\$ 21,274,463	\$ 798.2%	\$ 1,891		
2003	1,350,000	-	441,727	2,240,000	-	15,624,173	19,655,900	697.5%	1,705		
2004	1,260,000	-	3,682,989	1,940,000	-	14,602,260	21,485,249	735.6%	1,839		
2005	1,170,000	-	3,301,962	1,645,000	-	13,453,812	19,570,774	645.8%	1,617		
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306	17,644,973	561.1%	1,442		
2007	990,000	-	2,683,333	1,070,000	-	11,120,362	15,863,695	483.1%	1,269		
2008	900,000	-	2,450,000	790,000	-	19,791,377	23,931,377	703.8%	1,877		
2009	2,910,000	-	2,216,667	520,000	-	18,154,326	23,800,993	684.1%	1,831		
2010	2,770,000	-	1,983,334	255,000	-	16,505,815	21,514,149	610.4%	1,638		
2011	\$ 2,630,000	\$ -	\$ 1,750,000	\$ -	\$ -	\$ 14,822,447	\$ 19,202,447	*	\$ 1,456		

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.

* Information not available.

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
2002	\$ 1,440,000	\$ -	1,440,000	0.13%	\$ 128
2003	1,350,000	-	1,350,000	0.13%	117
2004	1,260,000	-	1,260,000	0.10%	108
2005	1,170,000	-	1,170,000	0.09%	97
2006	1,080,000	-	1,080,000	0.07%	88
2007	990,000	-	990,000	0.06%	79
2008	900,000	-	900,000	0.05%	71
2009	2,910,000	-	2,910,000	0.17%	224
2010	2,770,000	-	2,770,000	0.16%	211
2011	\$ 2,630,000	-	\$ 2,630,000	0.15%	\$ 199

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, 2011

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	17,525,000	12.31%	2,157,328
Subtotal, Overlapping Debt			<u>2,157,328</u>
City of Hendersonville Direct			<u>4,380,000</u>
Total Direct and Overlapping Debt			<u>\$ 6,537,328</u>

Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding provided by the applicable government.

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City of Hendersonville's taxable assessed value that is within the government's boundaries and dividing it by the City of Hendersonville's total taxable assessed value.

Note 2: Overlapping rates are those of county and local governments that apply to property owners within the City of Hendersonville. Not all overlapping rates apply to all of the City of Hendersonville's property owners (i.e., the rates for fire/special purpose districts apply only to the proportion of the City of Hendersonville's property owners whose property is located within the geographic boundaries of the fire/special purpose district).

CITY OF HENDERSONVILLE, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	76,022,075	79,963,569	92,704,661	94,435,205	99,398,940	105,156,160	135,967,448	137,930,016	\$ 139,016,410	\$ 140,452,168
Total Net Debt Applicable to Debt Limit	20,297,233	18,670,282	20,623,408	18,967,255	18,003,776	15,518,820	23,741,378	23,293,992	21,412,148	19,202,447
Legal Debt Margin	55,724,842	61,293,287	72,081,253	75,467,950	81,395,164	89,637,340	112,226,070	\$ 114,636,024	\$ 117,604,262	\$ 121,249,721
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	26.7%	23.3%	22.2%	20.1%	18.1%	14.8%	17.5%	16.9%	15.4%	13.7%

Legal Debt Margin Calculation for Fiscal Year 2011

Total Assessed Value	\$ 1,755,652,101
Debt Limit (8% of Total Assessed Value)	140,452,168
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	16,572,447
Total Bonded Debt	2,630,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	19,202,447
Legal Debt Margin	\$ 121,249,721

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) City Population		(2) County Population		(3) Personal Income (000's)		(4) Per Capita Personal Income		(5) School Enrollment		(6) County Unemployment Rate		(7) State Unemployment Rate		(8) U.S. Unemployment Rate	
	Population		Population		Income		Income		Enrollment		Rate		Rate		Rate	
2002	11,252		91,544		2,665,395		27,469		11,423		4.0%		6.8%		5.9%	
2003	11,530		92,988		2,817,908		27,689		11,574		3.8%		6.7%		6.2%	
2004	11,682		94,496		2,920,871		28,958		11,918		3.1%		5.4%		5.7%	
2005	12,106		96,124		3,030,309		30,440		12,292		4.5%		5.3%		5.0%	
2006	12,237		97,792		3,144,599		32,431		12,578		3.4%		4.6%		4.8%	
2007	12,499		100,107		3,283,409		32,799		13,134		3.9%		4.9%		4.5%	
2008	12,747		102,142		3,400,409		33,291		13,322		4.7%		6.2%		5.7%	
2009	12,997		103,855		3,479,142		33,500		13,310		9.4%		11.0%		9.5%	
2010	13,135		105,221		3,524,371		33,495		13,325		8.2%		10.0%		9.5%	
2011	13,189		107,141		*		*		13,491		7.3%		9.9%		9.2%	

Data Sources:

- (1) North Carolina State Planning Office.
- (2) North Carolina State Planning Office.
- (3) US Dept. of Commerce - Bureau of Economic Analysis
- (4) US Dept. of Commerce - Bureau of Economic Analysis - Per Capita & Total Personal Income Estimated for 2009 & 2010
- (5) Henderson County Public Schools
- (6) Employment Security Commission
- (7) Employment Security Commission
- (8) Employment Security Commission

* Information not yet available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	2011			2002		
	Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank
	Henderson County Schools	1,852	1	14.82%	1,450	1
	Pardee Hospital	1,253	2	10.02%	1,080	3
	Park Ridge Hospital	1,125	3	9.00%	500	9
	Wilsonart International	680	6	5.44%	750	4
	General Electric Lighting	395	10	3.16%	1,100	2
	Arvin-Meritor	550	8	4.40%	650	6
	Steelcase, Incorporated	680	7	5.56%	680	5
	Wal-Mart	450	9	3.60%	-	
	Ingles	750	4	6.00%	-	
	Henderson County Government	720	5	5.76%	550	7
	Eaton Corporation	375			435	10
	Continental Tevis	318			-	
	Kyocera Engineering	500			-	
	Kimberly-Clark Corporation	265			500	8
	Totals	9,913		67.76%	7,695	
						73.55%

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
UNAUDITED

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
General Government:										
Administration	4	4	4	3	3	3	3	3	3	3
Finance	4	4	4	12	12	12	12	12	12	12
Support Services	4	8	10	10	10	10	10	11	11	11
Public Safety:										
Police	45	45	45	45	45	50	50	50	50	50
Fire	17	17	17	17	17	17	17	20	20	20
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	3	3
Administration	4	4	4	3	3	3	3	3	3	3
Streets & Highways	7	7	7	7	7	7	9	9	9	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	2
Parks & Drainage	8	8	8	8	8	8	8	8	8	8
Subtotal	30	30	30	29	29	29	31	31	31	31
Business-Type Activities										
Water and Sewer Fund	78	78	74	66	66	67	67	68	68	68
Solid Waste Fund	10	10	10	10	10	10	10	10	10	10
Total	192	196	194	192	192	198	200	205	205	205

Source: Annual Departmental Budgets

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Building Permits Issued:										
Residential	307	348	141	244	235	163	92	106	103	95
Commercial	192	95	101	111	99	80	50	76	226	252
Public Safety - Police										
Physical Arrests	1,833	1,690	1,979	2,173	2,177	2,736	2,735	2,175	2,120	1,667
Traffic Violations	2,346	2,233	2,861	2,628	2,685	3,631	3,624	3,815	2,997	2,720
Parking Violations	4,362	3,799	3,854	2,353	2,313	2,353	2,358	2,317	1,865	1,980
Public Safety - Fire										
Number of Fire Calls Answered	1,223	1,377	1,478	1,629	1,617	1,703	1,899	1,871	1,842	1,779
Inspections Conducted	219	205	509	601	620	548	534	1,066	1,997	883
Water										
Number of Service Connections	20,492	21,196	21,832	23,105	23,650	24,300	25,301	25,471	25,645	25,618
Average Daily Production in Gallons	7,122,000	7,262,000	7,239,000	6,455,000	6,956,000	6,870,000	6,660,000	5,885,000	6,969,500	6,779,145
Sewer										
Number of Service Connections	6,333	6,647	6,846	7,608	7,700	8,000	8,051	8,118	8,173	8,146
Average Daily Treatment in Gallons	2,502,000	3,370,000	3,250,000	3,039,000	2,632,000	2,786,000	2,435,000	2,410,000	2,937,300	2,255,600
Solid Waste										
Refuse Collected (Tons per Year)	4,513	4,693	4,745	4,774	4,605	4,501	4,324	4,152	3,885	3,550
Recycling Collections (Tons per Year)	543	594	563	603	708	1,354	1,021	1,083	2,195	1,040
Scrap Metal (Tons per Year)	-	-	-	-	-	-	-	-	17	13
Cable TV Subscribers										
City	2,494	2,167	2,019	2,024	3,639	3,336	3,338	3,215	3,062	2,779
County	17,646	15,483	14,283	13,669	11,639	10,405	10,411	10,026	9,548	8,666
Flat Rock	1,667	1,619	1,590	1,575	1,288	1,186	1,187	1,143	1,088	988
Fletcher	2,263	2,200	2,001	1,799	1,409	1,260	1,261	1,214	1,156	1,049
Laurel Park	960	898	895	898	881	806	806	776	739	671
Mills River	-	-	-	670	1,046	953	953	918	874	794
Total Subscribers	25,030	22,367	20,788	20,635	19,902	17,946	17,956	17,292	16,467	14,947

Sources: Various City of Hendersonville Deaprtments

Note: The decline in Cable TV subscribers is due to competition from Satelite TV companies.

UNAUDITED

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hendersonville										
Public Facilities/Buildings	4	4	4	3	3	3	3	3	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	30	30	30	30	30	34	34	38	38	38
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	6	6	6	6	6	6	6	6	6	6
Public Service										
Streets (in Miles)	58.70	59.10	59.10	60.51	62.95	65.04	65.03	65.04	65.36	67.97
Street Lights	1,469	1,469	1,471	1,575	1,580	1,587	1,587	1,617	1,622	1,617
Parks and Recreation										
Parks Acreage	99	99	99	99	99	99	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	7	7	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	549	556	564	567	569	571	575	578	581	640
Fire Hydrants	2,001	2,024	2,062	2,120	2,135	2,140	2,233	2,359	2,446	2,539
Sewer										
Sanitary Sewers (Miles)	131	135	148	153	154	154	160	165	167	175
Storm Sewers (Miles)	25	27	27	27	27	27	27	27	27	31
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, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

F. T. Carland, CPA
Myra L. Davis, CPA
George B. Lee, CPA
Harold C. Reid, CPA

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, 2011, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 24, 2011. 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

Management of the City of Hendersonville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Hendersonville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hendersonville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Hendersonville, in a separate letter dated November 24, 2011.

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



November 24, 2011



CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

F. T. Carland, CPA
Myra L. Davis, CPA
George B. Lee, CPA
Harold C. Reid, CPA

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

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

Compliance

We have audited City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2011. The City of Hendersonville major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Hendersonville's management. Our responsibility is to express and opinion on the City of Hendersonville's compliance based on our audit.

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

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Carved & Andersen Inc

November 24, 2011

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

I. Summary of Auditor's Results

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

- I. The Major State program for the City of Hendersonville for the fiscal year ended June 30, 2011 is:

Program Name

Powell Bill Program

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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

The City of Hendersonville had no findings or questioned costs related to the audit of its Basic Financial Statements for the fiscal year ended June 30, 2011.

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

The City of Hendersonville had no findings or questioned costs related to the audit of State awards for the fiscal year ended June 30, 2011.

CITY OF HENDERSONVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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



CITY OF HENDERSONVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Passthrough Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State / Passthrough Grantor's No.</u>	<u>Federal/ Direct and Passthrough Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U. S. Department of Homeland Security</u>					
Federal Emergency Management Agency					
Fire Grants					
(Assistance to Firefighters Grant)	97.044		\$ 132,525		\$ 6,975
<u>U. S. Department of Justice</u>					
ARRA-Edward Byrne Memorial Justice					
Assistance Grant (JAG) Grants to Units					
of Local Governments	16.804				
(JAG - PICSIP Grant)			1,471		
Edward Byrne Memorial Justice Assistance					
Grants to Units of Local Governments	16.738				
(JAG - WCEPP Grant)			11,193		
<u>U. S. Department of Transportation</u>					
Passthrough N. C. Dept. of Transportation					
ARRA-Highway Planning and Construction	20.205-1	45240.2.ST1			
(Oakdale Cemetery Road Widening Project)			221,136		
Highway Planning and Construction	20.205-1	3614.3.18			
(Sidewalk Construction Project)			60,000	15,000	
Passthrough French Broad River Metropolitan					
Planning Organization					
Highway Planning and Construction	20.205-5	11-063			
(Rails to Trails Project)			7,980		1,995
<u>U. S. Environmental Protection Agency</u>					
Passthrough N C Dept of Environment and					
and Natural Resources					
State and Tribal Assistance Grants	66.202	XP-96492108	30,119		
Total Cash Assistance			\$ 464,424	\$ 15,000	\$ 8,970
Total Assistance - Federal Programs			\$ 464,424	\$ 15,000	\$ 8,970

CITY OF HENDERSONVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Passthrough Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State / Passthrough Grantor's No.</u>	<u>Federal/ Direct and Passthrough Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
State Grants:					
Cash Programs:					
<u>N. C. Department of Commerce</u>					
Clean Water Partners Fund					
Passthrough N C Rural Economic Develop. Ctr		2008-147-			
French Broad River Raw Water Intake Project		40101-112		\$ 285,014	
<u>N. C. Dept. of Environment and Nat Resources</u>					
Clean Water Management Trust Fund		CWMTF			
(Britton Creek Stormwater Management Project)		2008S-012		49,444	\$ 5,556
<u>N. C. Department of Transportation:</u>					
Powell Bill Program		32570		308,311	-
Total Assistance - State Programs				\$ 642,769	\$ 5,556
Total Assistance - All Programs			\$ 464,424	\$ 657,769	\$ 14,526

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

Loans outstanding

The City of Hendersonville had the following loan balance outstanding at June 30, 2011. This loan balance outstanding is not included in the federal expenditures presented in this schedule. Those expenditures were reported for the year ended June 30, 2010. At June 30, 2011, repayment terms for the funds had not been finalized, and additional advances of these funds were anticipated.

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

