

COMPREHENSIVE ANNUAL FINANCIAL REPORT



***For the Fiscal Year Ended
June 30, 2012***

CITY OF HENDERSONVILLE NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
June 30, 2012**

**Prepared by:
Department of Finance**

CITY OF HENDERSONVILLE

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

CITY COUNCIL:
BARBARA G. VOLK
Mayor
JEFF COLLIS
Mayor Pro Tem
STEVE CARAKER
JERRY A. SMITH, JR.
RON STEPHENS

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, 2012

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, 2012.

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, 2012, 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, 2012, 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 requires 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 the 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, 2012, the North Carolina Office of State Planning estimated the city's population to be 13,278.

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. Sierra Nevada Brewing Company recently announced that it would expand its operations in Chico, California with a second facility located on 90 acres in Mills River. Also, Saint Paul Winery and Burntshirt Vineyards are scheduled to open for production in August of this year.

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. There are several industrial parks located within the county. They include Broadpointe Industrial near I-26 and Highway 280, Brickton Industrial Park located in Fletcher, Lakewood Industrial Park at Highway 64 and I-26 and Ferncliff Industrial Park located near the west side of Asheville Regional Airport.

Apples, which were first planted at the end of the 18th century, continue to be an important part of the economy today with sales averaging \$24 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. 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 and Staymans. Winesap, Jonathans and Granny Smith types are also grown in addition to the newest varieties - Ginger Gold, Gala, Honey Crisp, Empire, Fuji 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. The county also has a different kind of agricultural market know as "entertainment farming" that began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours and pumpkin carving. This type of farming is a natural for the area and is expected to grow as more tourist and outdoor enthusiasts discover its existence.

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. Total unassigned fund balance in the general fund equaled 51.65 percent of total general fund expenditures as of June 30, 2012. City policy mandates that all unassigned 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 based upon audited figures.

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. This fund has proven to be a valuable resource since its inception. The balance in the General Fund Capital Reserve Fund as of June 30, 2012, totaled \$703,760.

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, 2012, totaled \$1,160,633.

Relevant financial policies. It is the City of Hendersonville's policy that "one-time" 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. These projects are complete and no additional ARRA funding was received in FY 2011-12.

Major initiatives. In the fall of FY 2011-12 the Water and Sewer Department embarked on a plan to replace more than 28,000 of the system's meters with radio read technology. This project was initially designed to be accomplished over a 15-year period with funds budgeted each year during the city's capital improvement program review. After a year's work of research and several public discussions it was decided a turnkey approach would work best in order to take advantage of favorable interest rates and as well as construction costs. The city then entered into a project development agreement with Energy Systems Group (ESG) to look at the financial feasibility of this venture. The findings of the study were presented to City Council on November 3, 2011 and the Council approved proceeding with the project. The total cost of the project is \$11,643,452 with an implementation schedule not to exceed 12 months. A financing agreement for this amount was entered into with Chase Equipment Finance, Incorporated through JPMorgan Chase Bank, N.A on April 10, 2012, for a period of 15 years. It is anticipated that the project will pay for itself and save an additional \$1.2 million over this time period due to the increased accuracy and efficiency of the new meters.

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. Also, loan and grant applications were prepared in FY2012 for the Jackson Park Sewer Interceptor, Wolfpen Sewer Outfall and Shepherd Creek/Atkinson School sewer outfall and sanitary sewer improvements. These projects are scheduled for FY2013, FY2014, and FY2015, respectively and are estimated to cost \$10 million.

Last year, due to the state of the economy, the city had to revise its capital improvement program and move some larger projects to future years. In the General Fund this delayed the construction of a new fire station, some park acquisition and improvements on the northwest and southeast side of

town; and road rehabilitation and reconstruction of Fifth Avenue. The new fire station and a new fire engine are scheduled for construction and acquisition in FY 2012-13 in addition to funds approved for improvements to Berkeley Park and Phase III of the Main Street Improvement Project. These projects are estimated to cost approximately \$6,000,000. Installment purchase financing will be used to cover the bulk of the costs in order to continue to take advantage of low bank interest rates. Also, several Public Works Department projects were shifted to the next fiscal year, i.e., FY 2012-13. These included upgrade of the Whitmire Activity Building, a 30-ton vehicle lift and traffic monitoring equipment. The road reconstruction of Fifth Avenue was rescheduled for FY 2013-14.

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 were a sewer outfall planned for the east side of the system as well as the water and sewer line rehabilitation program. Some major equipment purchases and rehabilitation projects were shifted to future years. Management has been very deliberate 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, 2011. This was the twenty-third 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. g:\myfiles\wpdocs\cafr2012.wpd

Sincerely,

James W. Rudisill
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hendersonville
North Carolina

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

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.



Linda C. Sandison

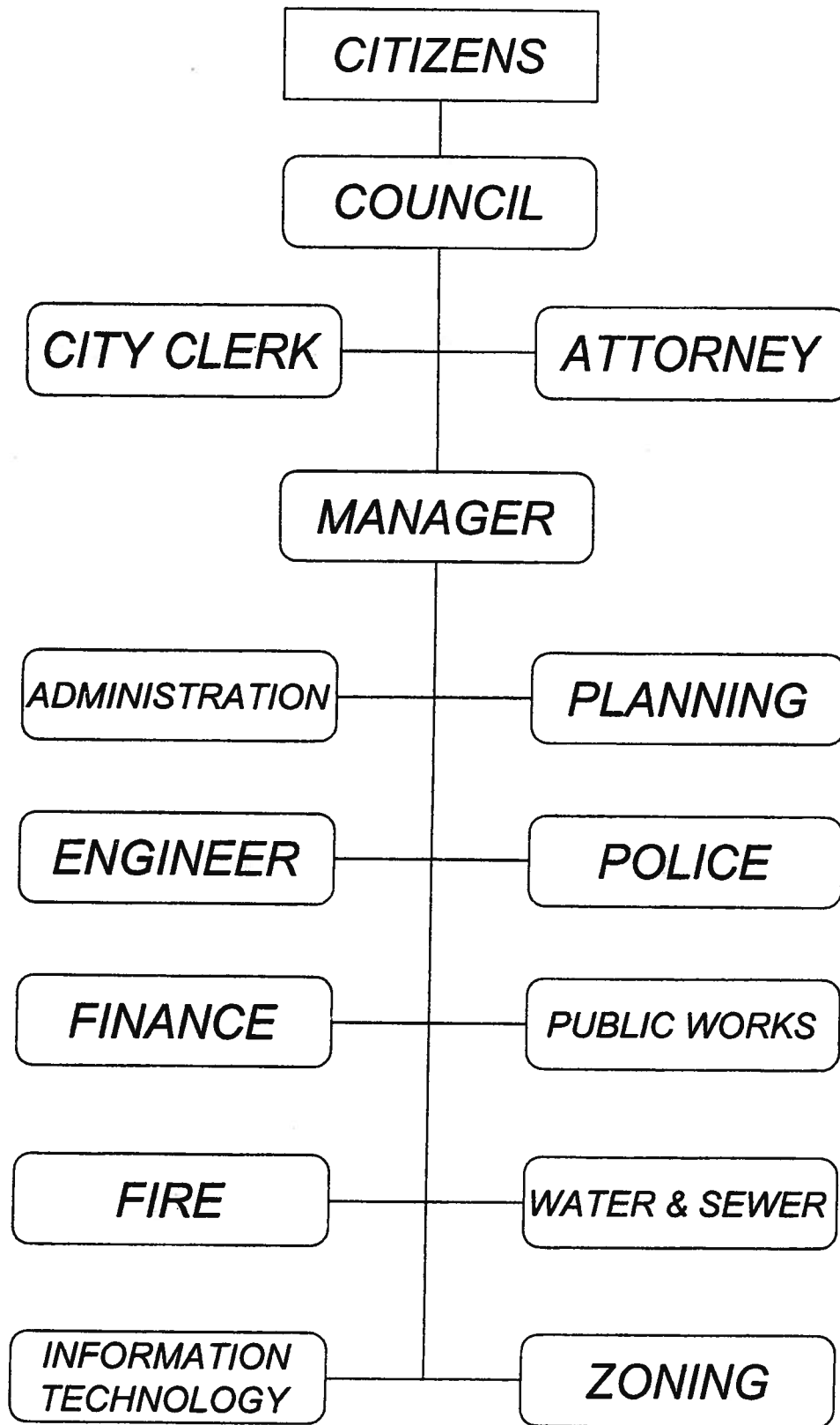
President

Jeffrey R. Enen

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.
Ron Stephens

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
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, 2012 which collectively comprise the City of Hendersonville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville North Carolina as of June 30, 2012, 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 December 4, 2012 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 grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that 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 56 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's financial statements as a whole. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United states of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory information and the statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

December 4, 2012

Carroll & Andersen, Inc.

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, 2012. 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

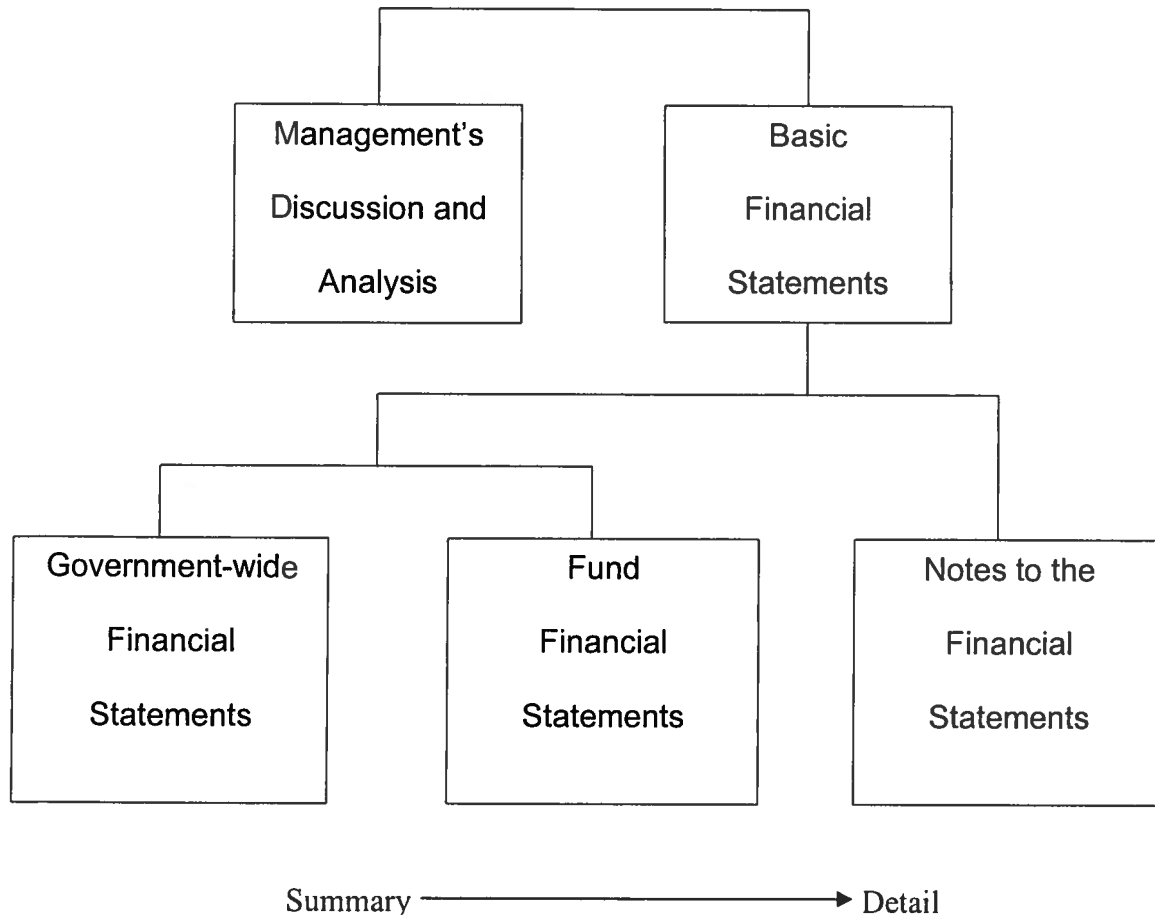
- The assets and deferred outflows of the City of Hendersonville *exceeded* its liabilities at the close of the fiscal year by \$99,448,719 (*net assets*).
- The City of Hendersonville's total net position *increased* by \$2,778,135 primarily due to an *increase* in the *business-type* activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,439,958 a *decrease* of \$1,521,808 or 13.88 percent in comparison with the prior year. Approximately 58.73 percent of this total amount or \$5,543,945 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 \$5,822,117 or 69.57 percent of total general fund expenditures for the fiscal year.
- The City's total outstanding long-term debt, less reductions for annual principal payments, *increased* by \$10,467,047 or 70.62 per cent during the current fiscal year. The key factor in this increase was a loan in the amount of \$11,643,452 for an automated meter reading system to replace all water meters with radio read technology in the City's water and sewer service territory.
- 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*. **Internal Service Funds** are an accounting device used to accumulate and allocate costs internally the City of Hendersonville's various functions. The City uses an internal service fund to account for the management of its retained risks associated with a modified type of self-insurance fund for medical insurance that the City provides for its employees. As a result of utilizing this type of fund, the City realized significant savings during FY 2012 of \$130,284. 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 these funds are not available to support the City's own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. 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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate. 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 (RSI)** is mandated by the Governmental Accounting Standards Board (GASB) and can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

The City of Hendersonville’s Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 10,588,320	\$ 11,971,806	\$ 32,917,072	\$ 22,298,010	\$ 43,505,392	\$ 34,269,816
Capital assets	20,325,958	19,473,908	68,202,614	65,665,689	88,528,572	85,139,597
Total assets	30,914,278	31,445,714	101,119,686	87,963,699	132,033,964	119,409,413
Long-term liabilities outstanding	4,672,042	5,014,754	23,930,498	13,422,466	28,602,540	18,437,220
Other liabilities	1,377,861	1,342,113	2,604,844	2,959,496	3,982,705	4,301,609
Total liabilities	6,049,903	6,356,867	26,535,342	16,381,962	32,585,245	22,738,829
Net assets:						
Invested in capital assets, net of related debt	17,530,422	16,829,139	51,057,598	50,127,849	68,588,020	66,956,988
Restricted	2,957,773	3,047,565			2,957,773	3,047,565
Unrestricted	4,376,180	5,212,143	23,526,746	21,453,888	27,902,926	26,666,031
Total net assets	\$ 24,864,375	\$ 25,088,847	\$ 74,584,344	\$ 71,581,737	\$ 99,448,719	\$ 96,670,584

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 **\$99,448,719** as of June 30, 2012. Hendersonville’s net assets *increased* by **\$2,778,135** for the fiscal year ended June 30, 2012. However, the largest portion (68.97%) 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 (2.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of **\$27,902,926** (28.06%) 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 **97.41%** despite the fact that the economy is still sluggish.

- Sales tax collections for the year were up by **\$122,535** or **5.43%**
- NCDOT Street-Aid Allocation (Powell Bill) funds increased by **\$7,796**.
- Income from business licenses increased by **\$58,805** or **12.3%** due to an increase in gross receipts over the prior year.
- Monthly parking and parking meter revenue increased over last fiscal year by **\$10,107** or **13.8%**.

Governmental Activities. Governmental activities decreased the City of Hendersonville's net assets by **\$224,472** due to an overall decrease 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 424,402	\$ 413,613	\$ 14,899,357	\$ 14,224,424	\$ 15,323,759	\$ 14,638,037
Operating grants & contributions	925,970	823,010	-	-	925,970	823,010
Capital grants and contributions	390,000	75,000	122,019	285,014	512,019	360,014
General revenues:						
Property taxes	6,950,622	6,967,097	-	-	6,950,622	6,967,097
Other taxes & fees	3,989,565	3,817,133	-	-	3,989,565	3,817,133
Grants & contributions not restricted to specific programs	96,388	164,813	-	-	96,388	164,813
Other revenue	58,860	95,776	35,758	(287,572)	94,618	(191,796)
Total revenues	12,835,807	12,356,442	15,057,134	14,221,866	27,892,941	26,578,308
Expenses:						
General government	2,301,254	2,152,324	-	-	2,301,254	2,152,324
Public safety	6,910,168	6,256,423	-	-	6,910,168	6,256,423
Transportation	2,116,715	2,155,725	-	-	2,116,715	2,155,725
Parks & drainage	589,902	642,849	-	-	589,902	642,849
Economic development	405,416	262,751	-	-	405,416	262,751
Culture and recreation	237,833	200,772	-	-	237,833	200,772
Interest on long-term debt	197,996	215,749	-	-	197,996	215,749
Water and Sewer Fund			11,291,143	10,784,165	11,291,143	10,784,165
Environmental Services Fund			1,064,379	1,014,552	1,064,379	1,014,552
Total expenses	12,759,284	11,886,593	12,355,522	11,798,717	25,114,806	23,685,310
Inc. in net assets before transfers	76,523	469,849	2,701,612	2,423,149	2,778,135	2,892,998
Transfers	(300,995)	(350,670)	300,995	350,670		
Increase in net assets	(224,472)	119,179	3,002,607	2,773,819	2,778,135	2,892,998
Net assets, July 1	25,088,847	24,969,668	71,581,737	68,807,918	96,670,584	93,777,586
Net assets, June 30	\$ 24,864,375	\$ 25,088,847	\$ 74,584,344	\$ 71,581,737	\$ 99,448,719	\$ 96,670,584

- Other taxes revenues increased **\$172,432** over the prior year. Most of the increase was due to an increase in gross receipts for determining privilege license fees.
- Charges for services under Business-type Activities increased by **\$674,933**. The majority of the increase was due to an increase in water and sewer fees.

Business-type Activities: Business-type activities increased the City's net assets by **\$3,002,607** 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.
- Other income related to an increase in system development charges and tap fees.

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 **\$5,822,117** while total fund balance reached **\$8,369,120**. 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 **51.65** percent of total General Fund expenditures. Total fund balance decreased due to the operating transfer to the Capital Reserve Fund as required by the City's fund balance policy.

At June 30, 2012, the governmental funds of the City of Hendersonville reported a combined fund balance of **\$9,439,958**, a **13.88** percent decrease over last year. Included in this change in fund balance are decreases in the overall fund balance of the General Fund and in the Non-Major Funds. As explained earlier, the operating transfer to the Capital Reserve Fund caused most of the decrease in fund balance in the General Fund, and an increase in capital spending attributed to the decrease in the Non-Major Funds fund balance. Local option sales tax and utility franchise tax revenue increased by **\$131,126**; however, this was offset by a drop in revenue received from video programming fees, telecommunications sales tax and Alcohol Beverage Control profit distributions of **\$33,586**. 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 **\$326,243** or **2.85** percent. The Capital Reserve Fund decreased **\$129,983** 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 \$618,875 or 5.81 percent. This majority of this increase was due to the overall increase in expenditures for general government, public safety, transportation, and recreation. Spending for the Non-Major Funds was up by **\$1,454,771 or 115.11** percent. This increase was due to expenditures for two major capital projects: (1) Sidewalk Construction Project Fund and (2) Main Street Infrastructure Improvement Project Fund.

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 an increase in property tax collections of \$79,663, an upturn in sales tax collections of \$122,535 and an increase in gross receipts taxes of \$58,804. Expenditures were more than the prior year due to an overall increase in departmental spending for capital outlay totaling \$280,376 and salaries and fringe benefits equaling \$268,258. During the year there was an increase in appropriations between the original and final amended budget totaling \$291,706. Following are the main components of the increase:

- **\$ 46,054** overall increase in expenditures for other governmental activities.
- **\$ 245,652** overall increase in expenditures for transportation and public safety.

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 **\$23,133,923** and those for the Environmental Services Fund (ESF) amounted to **\$392,823**. The total change in net assets for both funds was **\$2,810,204** and **(\$242,532)** respectively. The negative amount for the ESF was due to the purchase of capital assets. Other factors concerning the finances of these funds were 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, 2012, totaled **\$88,528,572** (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:

- Construction of water and sewer lines and acquisition of equipment totaled **\$1,239,623**. (Equipment acquisition accounted for 46.6% of the total outlay.)
- Street paving, road repair and sidewalk maintenance totaled **\$324,985**.
- Police Department vehicles and equipment for a total cost of **\$157,879**. (Vehicle acquisition accounted for 75.9% of the total outlay.)
- Capital outlay and equipment expenditures for Public Works totaling **\$370,770**. (Vehicle acquisition accounted for 72.8% of the total outlay.)

City of Hendersonville's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,862,946	\$ 2,822,699	\$ 4,992,002	\$ 1,491,966	\$ 7,854,948	\$ 4,314,665
Buildings and systems	5,015,208	5,267,015	33,728,252	35,012,600	38,743,460	40,279,615
Improvements other than buildings	1,537,904	1,666,605	27,635,773	28,243,431	29,173,677	29,910,036
Machinery, equipment & software	407,337	457,188	527,416	395,556	934,753	852,744
Infrastructure	9,125,831	7,681,448	-	-	9,125,831	7,681,448
Vehicles and motorized equipment	1,376,732	1,578,953	1,319,171	522,136	2,695,903	2,101,089
Construction in progress	-	-	-	-	-	-
Total	<u>\$ 20,325,958</u>	<u>\$ 19,473,908</u>	<u>\$ 68,202,614</u>	<u>\$ 65,665,689</u>	<u>\$ 88,528,572</u>	<u>\$ 85,139,597</u>

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, 2012, Hendersonville had total bonded debt outstanding of **\$2,440,000**. 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	
	2012	2011	2012	2011	2012	2011
<i>General Obligation Bonds</i>	\$ 2,440,000	\$ 2,630,000	\$ -	\$ -	\$ 2,440,000	\$ 2,630,000
Total	\$ 2,440,000	\$ 2,630,000	\$ -	\$ -	\$ 2,440,000	\$ 2,630,000

The City of Hendersonville's total debt increased by **\$10,043,715** or **52.3%** during the past fiscal year, primarily due to the city entering into an installment purchase agreement with JPMorgan Chase Bank for \$11,643,452 for the installation of an automated meter reading system for the Water and Sewer Department for Fiscal Year 2011-12. Some of this was offset by principal and interest payments made during the year.

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 **\$101,684,039**. The City issued \$12,215,233 of new debt for installment purchase contracts related to projects in the Water and Sewer Fund as of June 30, 2012.

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, 2012, 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 9.4% as of June 30, 2012.
- 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, 2013

Governmental Activities: Property taxes were budgeted conservatively at a 0.6 percent increase based upon estimates provided to the City by the Henderson County tax assessor. Sales and Use tax revenue was budgeted at a 1.0% increase over 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 1.5 percent or \$159,250 more than the prior year. Budgeted expenditures in the General Fund are expected to increase by 5.5 percent, which represents an overall increase of \$570,960. Most of this increase is attributable to salaries and fringe benefits of \$191,220, and capital outlay totaling \$614,500. Personnel costs increased due to meritorious and cost-of-living adjustments included in the budget for the first time since FY 2008. The increase in capital outlay is for the acquisition of a new fire engine.

Business-type Activities: The water and sewer volume rates in the City will increase for all customer classifications. The majority of City residential customers will see about a 2.5% increase. Total water and sewer appropriations will increase by 1.8% with the majority of the increase being attributable to more funds budgeted for capital outlay. Total operating costs will decrease slightly or 2.30 percent and personnel costs will remain about the same as the prior year. The City also established a wellness program for FY 2013 to offer incentives to its employees that meet specific goals and objectives during the year. These incentives will be paid on a quarterly basis and are expected to be very beneficial in getting employees to exercise and take better care of their selves.

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, 2012

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 7,563,162	\$ 22,092,636	\$ 29,655,798	\$ 683,755
Receivables (net)				
Taxes	224,760		224,760	
Accounts	32,794	1,586,056	1,618,850	392
Grants	464,792	104,250	569,042	
Shared taxes	632,427	2,072	634,499	
Refundable taxes	107,009	145,908	252,917	
Due from component unit	25,000		25,000	
Inventories		841,671	841,671	452,030
Prepaid items			0	1,484
Restricted cash	1,538,376	8,144,479	9,682,855	
Total current assets	<u>\$ 10,588,320</u>	<u>\$ 32,917,072</u>	<u>\$ 43,505,392</u>	<u>\$ 1,137,661</u>
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 2,862,946	\$ 4,992,002	\$ 7,854,948	\$ 744,028
Other capital assets, net of depreciation	17,463,012	63,210,612	80,673,624	522,115
Total capital assets	<u>\$ 20,325,958</u>	<u>\$ 68,202,614</u>	<u>\$ 88,528,572</u>	<u>\$ 1,266,143</u>
Total assets	<u>\$ 30,914,278</u>	<u>\$ 101,119,686</u>	<u>\$ 132,033,964</u>	<u>\$ 2,403,804</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 445,640	\$ 349,863	\$ 795,503	\$ 400,857
Salaries payable	121,693	58,564	180,257	
Unearned revenue	189,337		189,337	
Customer deposits		183,725	183,725	
Accrued interest payable	42,858	161,850	204,708	
Due to primary government				25,000
Current portion of long-term liabilities	578,333	1,850,842	2,429,175	
Total current liabilities	<u>\$ 1,377,861</u>	<u>\$ 2,604,844</u>	<u>\$ 3,982,705</u>	<u>\$ 425,857</u>
Long-term liabilities due in more than one year	<u>\$ 4,672,042</u>	<u>\$ 23,930,498</u>	<u>\$ 28,602,540</u>	
Total liabilities	<u>\$ 6,049,903</u>	<u>\$ 26,535,342</u>	<u>\$ 32,585,245</u>	<u>\$ 425,857</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 17,530,422	\$ 51,057,598	\$ 68,588,020	\$ 1,266,143
Restricted for:				
Stabilization by State Statute	1,542,418		1,542,418	
Economic development	66,650		66,650	
Law enforcement	114,910		114,910	
Streets	262,335		262,335	
Transportation	971,460		971,460	
Capital improvements				30,629
Working capital				143,560
Unrestricted	4,376,180	23,526,746	27,902,926	537,615
Total net assets	<u>\$ 24,864,375</u>	<u>\$ 74,584,344</u>	<u>\$ 99,448,719</u>	<u>\$ 1,977,947</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, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,301,254			
Public safety	6,910,168	\$ 156,625	\$ 392,134	
Transportation	2,116,715	83,540	527,336	\$ 250,000
Parks and drainage	589,902	23,500		
Economic and physical development	405,416			140,000
Cultural and recreational	237,833	160,737	6,500	
Interest on long-term debt	197,996			
Total governmental activities (Note 1)	<u>\$ 12,759,284</u>	<u>\$ 424,402</u>	<u>\$ 925,970</u>	<u>\$ 390,000</u>
Business-type activities:				
Water and Sewer	\$ 11,291,143	\$ 14,031,234		\$ 17,769
Environmental Service Fund	1,064,379	868,123		104,250
Total business-type activities	<u>\$ 12,355,522</u>	<u>\$ 14,899,357</u>		<u>122,019</u>
Total primary government	<u>\$ 25,114,806</u>	<u>\$ 15,323,759</u>	<u>\$ 925,970</u>	<u>\$ 512,019</u>
Component Unit:				
ABC Board	\$ 3,664,204	\$ 3,758,008		
Total component unit	<u>\$ 3,664,204</u>	<u>\$ 3,758,008</u>		

General revenues:

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

Change in net assets

Net assets - beginning, July 1

Net assets - ending, June 30

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (2,301,254)		\$ (2,301,254)	
(6,361,409)		(6,361,409)	
(1,255,839)		(1,255,839)	
(566,402)		(566,402)	
(265,416)		(265,416)	
(70,596)		(70,596)	
(197,996)		(197,996)	
<u>\$ (11,018,912)</u>		<u>\$ (11,018,912)</u>	
	\$ 2,757,860	\$ 2,757,860	
	(92,006)	(92,006)	
	<u>\$ 2,665,854</u>	<u>\$ 2,665,854</u>	
<u>\$ (11,018,912)</u>	<u>\$ 2,665,854</u>	<u>\$ (8,353,058)</u>	
			\$ 93,804
			<u>\$ 93,804</u>
\$ 6,950,622		\$ 6,950,622	
2,360,161		2,360,161	
1,013,751		1,013,751	
546,179		546,179	
69,474		69,474	
96,388		96,388	
15,183	\$ 18,426	33,609	\$ 1,373
43,677	17,332	61,009	
(300,995)	300,995		
<u>\$ (224,472)</u>	<u>\$ 3,002,607</u>	<u>\$ 2,778,135</u>	<u>95,177</u>
<u>25,088,847</u>	<u>71,581,737</u>	<u>96,670,584</u>	<u>1,882,770</u>
<u>\$ 24,864,375</u>	<u>\$ 74,584,344</u>	<u>\$ 99,448,719</u>	<u>\$ 1,977,947</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, 2012

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 7,235,595	\$ 150,974	\$ 7,386,569
Restricted cash and cash equivalents	377,245	1,161,131	1,538,376
Receivables (net)			
Taxes	208,176	16,584	224,760
Accounts	32,306	488	32,794
Grants	140,000	324,792	464,792
Shared taxes	632,427		632,427
Refundable taxes	83,993	23,016	107,009
Interfund balances	374,792	9	374,801
Due from component unit	25,000		25,000
Total assets	<u>\$ 9,109,534</u>	<u>\$ 1,676,994</u>	<u>\$ 10,786,528</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 222,260	\$ 179,036	\$ 401,296
Salaries payable	120,774	919	121,693
Retainages payable		34,683	34,683
Interfund balances		374,801	374,801
Deferred revenues	397,380	16,717	414,097
Total liabilities	<u>\$ 740,414</u>	<u>\$ 606,156</u>	<u>\$ 1,346,570</u>
Fund balances:			
Restricted			
Stabilization by State Statute	\$ 1,288,518	\$ 253,900	\$ 1,542,418
Economic development		66,650	66,650
Law enforcement	114,910		114,910
Recreation			0
Streets	262,335		262,335
Transportation		971,460	971,460
Assigned			
Subsequent year's expenditures	881,240	57,000	938,240
Unassigned	5,822,117	(278,172)	5,543,945
Total fund balances	<u>\$ 8,369,120</u>	<u>\$ 1,070,838</u>	<u>\$ 9,439,958</u>
Total liabilities and fund balances	<u>\$ 9,109,534</u>	<u>\$ 1,676,994</u>	<u>\$ 10,786,528</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, 2012

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	\$ 20,325,958
Adjusting items:	
Other financial assets are not available to pay for current period expenditures, and these uncollected tax revenues are deferred in the funds	\$ 224,760
Internal service funds are used by management to charge the costs of certain activities, such as administering employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	166,932
Long-term and accrued liabilities, are not reported in the funds, including:	
Accrued interest payable	(42,858)
Bonds payable	(2,440,000)
Notes payable	(1,516,667)
Compensated absences payable	(515,273)
Other post-employment benefits	(425,938)
Net pension benefit-Special Separation Allowance	(352,497)
Total adjusting items	\$ 15,424,417
Total fund balances	<u>9,439,958</u>
Net assets of governmental activities	<u>\$ 24,864,375</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, 2012

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,776,715	\$ 244,158	\$ 7,020,873
Other taxes and licenses	546,179		546,179
Unrestricted intergovernmental	3,430,987	103,100	3,534,087
Restricted intergovernmental	596,536	797,271	1,393,807
Permits and fees	21,893		21,893
Sales and services	269,352		269,352
Investment earnings	14,151	895	15,046
Miscellaneous	120,036	15,724	135,760
Total revenues	\$ 11,775,849	\$ 1,161,148	\$ 12,936,997
Expenditures:			
General government	\$ 2,153,295		\$ 2,153,295
Public safety	5,970,387	\$ 352,251	6,322,638
Transportation	1,791,503	1,960,869	3,752,372
Parks and drainage	495,238		495,238
Economic and physical development		405,416	405,416
Cultural and recreational	237,833		237,833
Debt service:			
Principal	423,333		423,333
Interest and fees	200,890		200,890
Total expenditures	\$ 11,272,479	\$ 2,718,536	\$ 13,991,015
Revenues over (under) expenditures	\$ 503,370	\$ (1,557,388)	\$ (1,054,018)
Other financing sources (uses):			
Transfers in (out) :			
Enterprise funds	\$ (386,150)		\$ (386,150)
Health & Welfare Self-insurance Fund	(81,640)		(81,640)
General Fund / Capital Project Fund	(928,381)	\$ 928,381	
General Fund / Special Revenue Fund	59,825	(59,825)	
Total other financing sources (uses)	\$ (1,336,346)	\$ 868,556	\$ (467,790)
Net change in fund balances	\$ (832,976)	\$ (688,832)	\$ (1,521,808)
Fund balances:			
Beginning of year, July 1	9,202,096	1,759,670	10,961,766
End of year, June 30	\$ 8,369,120	\$ 1,070,838	\$ 9,439,958

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, 2012

Exhibit 4

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

Governmental funds report capital outlays as expenditures	\$ 2,348,420
In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,465,294)</u>
The amount by which capital outlays exceeded depreciation in the current period was	<u>\$ 883,126</u>
 The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals is to decrease net assets	 <u>(31,075)</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>\$ (70,251)</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>\$ 423,333</u>
 Consolidation adjustment for inclusion of Internal Service Fund	 <u>\$ 166,932</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	\$ 2,893
Change in compensated absences	11,484
Change in other post-employment benefits	(68,290)
Change in net pension obligation	<u>(20,816)</u>
	<u>\$ (74,729)</u>
 Total adjusting items	 <u>\$ 1,297,336</u>
 Net changes in fund balances - total governmental funds	 <u>(1,521,808)</u>
 Total changes in net assets of governmental activities	 <u><u>\$ (224,472)</u></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, 2012

Exhibit 5

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,480,000	\$ 6,556,000	\$ 6,776,715	\$ 220,715
Other taxes and licenses	247,000	307,000	546,179	239,179
Unrestricted intergovernmental	3,202,000	3,165,330	3,430,987	265,657
Restricted intergovernmental	399,940	402,940	596,536	193,596
Permits and fees	16,000	16,000	21,893	5,893
Sales and services	186,500	178,300	269,352	91,052
Investment earnings	10,100	10,100	14,151	4,051
Miscellaneous	36,350	49,050	120,036	70,986
Total revenues	\$ 10,577,890	\$ 10,684,720	\$ 11,775,849	\$ 1,091,129
Expenditures:				
General government	\$ 2,310,380	\$ 2,336,332	\$ 2,153,295	\$ 183,037
Public safety	5,980,650	5,982,528	5,970,387	12,141
Transportation	1,609,280	1,853,054	1,791,503	61,551
Parks and drainage	520,020	514,780	495,238	19,542
Cultural and recreational	285,820	244,403	237,833	6,570
Debt service:				
Principal	404,850	423,350	423,333	17
Interest and fees	256,030	211,851	200,890	10,961
Total expenditures	\$ 11,367,030	\$ 11,566,298	\$ 11,272,479	\$ 293,819
Revenues over (under) expenditures	\$ (789,140)	\$ (881,578)	\$ 503,370	\$ 1,384,948
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	\$ (350,670)	\$ (386,150)	\$ (386,150)	
Health and Welfare Self-insurance Fund		(183,760)	(81,640)	\$ 102,120
Nonmajor special revenue funds (net)	46,760	76,610	59,825	(16,785)
Nonmajor capital project fund		(928,381)	(928,381)	
Contingencies budgeted (expenditures)	(150,000)	(150,000)		150,000
Fund balance appropriated	1,243,050	2,453,259		(2,453,259)
Total other financing sources (uses)	\$ 789,140	\$ 881,578	\$ (1,336,346)	\$ (2,217,924)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (832,976)	\$ (832,976)
Fund balances:				
Beginning of year, July 1			9,202,096	
End of year, June 30			\$ 8,369,120	

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, 2012

Exhibit 6

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 279,430	\$ 21,813,206	\$ 22,092,636	\$ 176,593
Accounts receivable (net)	98,419	1,487,637	1,586,056	
Sales taxes refundable	5,202	140,706	145,908	
Shared taxes receivable	2,072		2,072	
Grants receivable	104,250		104,250	
Inventories		841,671	841,671	
Restricted cash and cash equivalents		8,144,479	8,144,479	
Total current assets	\$ 489,373	\$ 32,427,699	\$ 32,917,072	\$ 176,593
Noncurrent assets:				
Land and other non-depreciable assets		\$ 4,992,002	\$ 4,992,002	
Other capital assets, net of depreciation	\$ 658,160	62,552,452	63,210,612	
Capital assets (net)	\$ 658,160	\$ 67,544,454	\$ 68,202,614	\$ 0
Total noncurrent assets	\$ 658,160	\$ 67,544,454	\$ 68,202,614	\$ 0
Total Assets	\$ 1,147,533	\$ 99,972,153	\$ 101,119,686	\$ 176,593
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 23,063	\$ 326,800	\$ 349,863	\$ 9,661
Salaries payable	7,455	51,109	58,564	
Customer deposits		183,725	183,725	
Accrued bond and note interest		161,850	161,850	
Compensated absences-current	6,000	59,000	65,000	
Notes payable -current		1,785,842	1,785,842	
Total current liabilities	\$ 36,518	\$ 2,568,326	\$ 2,604,844	\$ 9,661
Noncurrent liabilities:				
Compensated absences	\$ 15,263	\$ 137,166	\$ 152,429	\$
Other postemployment benefits	44,769	229,647	274,416	
Notes payable		23,503,653	23,503,653	
Total noncurrent liabilities	\$ 60,032	\$ 23,870,466	\$ 23,930,498	\$ 0
Total Liabilities	\$ 96,550	\$ 26,438,792	\$ 26,535,342	\$ 9,661
NET ASSETS				
Invested in capital assets, net of related debt	\$ 658,160	\$ 50,399,438	\$ 51,057,598	\$ 0
Unrestricted	392,823	23,133,923	23,526,746	166,932
Total Net Assets	\$ 1,050,983	\$ 73,533,361	\$ 74,584,344	\$ 166,932

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, 2012

Exhibit 7

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Operating revenues:				
Charges for services	\$ 855,366	\$ 14,031,234	\$ 14,886,600	\$ 170,566
Other operating revenues	12,757		12,757	
Total operating revenues	\$ 868,123	\$ 14,031,234	\$ 14,899,357	\$ 170,566
Operating expenses:				
Administration		\$ 832,406	\$ 832,406	
Business operations		1,011,152	1,011,152	
Water treatment and distribution		4,036,177	4,036,177	
Waste collection and treatment	\$ 999,740	2,412,938	3,412,678	
Risk management and employee benefits			0	\$ 170,566
Depreciation	64,639	2,423,310	2,487,949	
Total operating expenses	\$ 1,064,379	\$ 10,715,983	\$ 11,780,362	\$ 170,566
Operating income (loss)	\$ (196,256)	\$ 3,315,251	\$ 3,118,995	\$ 0
Non-operating revenues (expenses):				
Interest earned on investments	\$ 10	\$ 18,416	\$ 18,426	\$ 137
Other		17,332	17,332	
Interest on long-term debt		(575,160)	(575,160)	
Total non-operating revenues (net)	\$ 10	\$ (539,412)	\$ (539,402)	\$ 137
Income (loss) before contributions and transfers:	\$ (196,246)	\$ 2,775,839	\$ 2,579,593	\$ 137
Capital grants	104,250	17,769	122,019	
Transfer from General Fund	285,270	100,880	386,150	81,640
Transfer from (to) Health & Welfare Self-Insurance Fund	(871)	(84,284)	(85,155)	85,155
Change in net assets	\$ 192,403	\$ 2,810,204	\$ 3,002,607	\$ 166,932
Total net assets - beginning, July 1	858,580	70,723,157	71,581,737	0
Total net assets - ending, June 30	\$ 1,050,983	\$ 73,533,361	\$ 74,584,344	\$ 166,932

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, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Cash flows from operating activities:				
Cash received from customers	\$ 853,994	\$ 13,163,365	\$ 14,017,359	\$ 170,566
Cash paid for goods and services	(478,687)	(4,304,458)	(4,783,145)	(160,905)
Cash paid to employees for services	(497,544)	(4,002,624)	(4,500,168)	
Customer deposits received		192,025	192,025	
Customer deposits returned		(180,825)	(180,825)	
Other operating revenue	9,018	928,797	937,815	
Net cash provided (used) by operating activities	\$ (113,219)	\$ 5,796,280	\$ 5,683,061	\$ 9,661
Cash flows from noncapital and financing related activity:				
Operating subsidy-General Fund	\$ 285,270	\$ 100,880	\$ 386,150	\$ 81,640
Operating subsidy-Health & Welfare Internal Service Fund	(871)	(84,284)	(85,155)	85,155
Net cash provided (used) by noncapital and related financing activity	\$ 284,399	\$ 16,596	\$ 300,995	\$ 166,795
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (499,554)	\$ (4,548,320)	\$ (5,047,874)	
Capital grants		517,769	517,769	
Proceeds of long-term debt		11,723,085	11,723,085	
Principal paid on notes		(1,748,186)	(1,748,186)	
Interest on notes		(526,912)	(526,912)	
Net cash provided (used) by capital and related financing activities	\$ (499,554)	\$ 5,417,436	\$ 4,917,882	\$ 0
Cash flows from investing activities:				
Proceeds from sales and maturities of investments		\$ 2,839,894	\$ 2,839,894	
Purchases of investments		(2,839,647)	(2,839,647)	
Interest on investments	\$ 10	18,415	18,425	\$ 137
Net cash provided by investing activities	\$ 10	\$ 18,662	\$ 18,672	\$ 137
Net increase / (decrease) in cash and cash equivalents	\$ (328,364)	\$ 11,248,974	\$ 10,920,610	\$ 176,593
Cash and cash equivalents:				
Balances - beginning of year	607,794	18,708,711	19,316,505	0
Balances - end of year	\$ 279,430	\$ 29,957,685	\$ 30,237,115	\$ 176,593

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, 2012

Exhibit 8

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Environmental Service Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Fund Health and Welfare Fund</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (196,256)	\$ 3,315,251	\$ 3,118,995	\$ 0
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	\$ 64,639	\$ 2,423,310	\$ 2,487,949	
Increase (decrease) in allowance for uncollectible accounts	(23,400)	(48,056)	(71,456)	
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	18,330	107,154	125,484	
Refundable taxes receivable	(617)	15,769	15,152	
Shared taxes receivable	13		13	
Inventory		(165,211)	(165,211)	
Prepaid items		1,818	1,818	
(Decrease) increase in liabilities:				
Accounts payable and accrued liabilities	2,453	118,512	120,965	\$ 9,661
Salaries payable	(4,179)	(65,898)	(70,077)	
Customer deposits		11,200	11,200	
Compensated absences payable	1,147	2,549	3,696	
Other postemployment benefits	24,651	79,882	104,533	
Total adjustments	\$ 83,037	\$ 2,481,029	\$ 2,564,066	\$ 9,661
Net cash provided (used) by operating activities	\$ (113,219)	\$ 5,796,280	\$ 5,683,061	\$ 9,661

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, 2012

Exhibit 9

June 30, 2012

ASSETS

Cash	<u>\$ 1,995</u>
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LIABILITIES

Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 1,995</u>
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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, 2012

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. The City does not have any fiduciary funds of its own, nor component units that are fiduciary in nature.

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, 2012

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, federal and 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.

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 seven nonmajor Special Revenue Funds:

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. Governor's Highway Safety Program – Bike Safe Hendersonville Program was established to administer a federal grant to promote safe motorcycling.
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.
5. FEMA – Staffing for Adequate Fire and Emergency Rescue (SAFER) Program Grant Fund was established to administer a federal grant to provide funds for salaries and benefits of additional firemen.

CITY OF HENDERSONVILLE, NORTH CAROLINA
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6. 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.

7. Oak Haven Community Development Block Grant Fund was established to administer a federal grant to provide funding for street and sidewalk infrastructure improvements for low and moderate-income housing projects.

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

1. Sidewalk Construction Project Fund was established to account for the use of the proceeds of general obligation bonds issued during the 2008-2009 year, for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks. During the current year, it received federal grant money for some of the sidewalk construction.

2. 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.

Internal Service Funds - Internal Service Funds are used to report on any activity that provides goods or services to other funds, departments, or agencies of the government, on a cost-reimbursement basis. The City has one internal service fund, the Health and Welfare Fund, which is used to administer payments for employee health claims.

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
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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, 2011 through February, 2012 apply to the fiscal year ended June 30, 2012.

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 2012-2013 fiscal year and are not shown as receivables at June 30, 2012. 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 2012-2013 fiscal year.

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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 2, 2011. 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, 2012, which includes all supplemental appropriations enacted during the year.

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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, as well as unspent capital project loan proceeds are shown as restricted cash.

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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

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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 and the Downtown Tax District 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.

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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

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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, 2012, the City's deposits had a carrying amount of \$2,550,019 and a bank balance of \$3,233,411. At June 30, 2012 the City's petty cash fund totaled \$3,550.

Of the bank balance at June 30, 2012, \$1,226,369 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 \$2,007,042 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, 2012, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2012, the ABC Board's deposits had a carrying amount of \$679,055 and a bank balance of \$627,351. Federal Depository Insurance covered \$450,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

At June 30, 2012, the City of Hendersonville had \$36,785,084 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
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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	\$ 146,198
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 5,050
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 221
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 5,462
Environmental Service Fund: Allowance for Uncollectible Accounts Receivable	\$ 711

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)	\$ 208,176	
Prepaid property taxes (General Fund)		\$ 2,283
Prepaid privilege licenses (General Fund)		186,921
Taxes receivable (Special Revenue Funds)	16,584	
Unspent grants (Special Revenue Funds)	<u> .</u>	<u>133</u>
Totals	<u>\$ 224,760</u>	<u>\$ 189,337</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

Governmental activities:	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 2,822,699	\$ 40,247		\$ 2,862,946
Total	\$ 2,822,699	\$ 40,247	\$ -	\$ 2,862,946
Capital assets being depreciated:				
Buildings	\$ 7,952,460		\$ 6,760	\$ 7,945,700
Other improvements	3,852,136		7,351	3,844,785
Equipment	1,254,744	\$ 46,362	118,315	1,182,791
Software	95,961	12,000		107,961
Vehicles	3,633,982	416,998	197,424	3,853,556
Infrastructure	12,146,688	1,832,812		13,979,500
Totals	\$ 28,935,971	\$ 2,308,172	\$ 329,850	\$ 30,914,293
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 2,685,445	\$ 251,807	\$ 6,760	\$ 2,930,492
Other improvements	2,185,531	128,701	7,351	2,306,881
Equipment	865,764	85,288	115,782	835,270
Software	27,753	20,392		48,145
Vehicles	2,055,029	590,677	168,882	2,476,824
Infrastructure	4,465,240	388,429		4,853,669
Totals	\$ 12,284,762	\$ 1,465,294	\$ 298,775	\$ 13,451,281
Assets being depreciated, net	\$ 16,651,209	\$ 842,878	\$ 31,075	\$ 17,463,012
Governmental-type capital assets, net	<u>\$ 19,473,908</u>			<u>\$ 20,325,958</u>
General Government		\$ 134,606		
Public Safety		690,491		
Transportation		505,469		
Parks		<u>134,728</u>		
Total depreciation expense		<u>\$ 1,465,294</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities:	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Environmental Service Fund:				
Capital assets being depreciated:				
Vehicles	\$ 714,425	\$ 499,554	-	\$ 1,213,979
Less accumulated depreciation for:				
Vehicles	\$ 491,180	\$ 64,639	\$ -	\$ 555,819
Solid Waste Fund:				
Capital assets, net	<u>\$ 223,245</u>			<u>\$ 658,160</u>
Water & Sewer Fund:				
Land	\$ 1,491,966			\$ 1,491,966
Construction		3,500,036		3,500,036
Total	<u>\$ 1,491,966</u>	<u>\$ 3,500,036</u>	<u>\$ -</u>	<u>\$ 4,992,002</u>
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	42,872,514	\$ 125,847		42,998,361
Lines and related equipment	36,138,396	261,324		36,399,720
Equipment	1,058,915	198,719		1,257,634
Vehicles	1,306,987	439,393	\$ 43,865	1,702,516
Tanks and reservoirs	4,540,944			4,540,944
Totals	<u>\$ 87,570,495</u>	<u>\$ 1,025,283</u>	<u>\$ 43,865</u>	<u>\$ 88,551,914</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 535,557	\$ 55,091		\$ 590,648
Treatment facilities	8,977,096	1,355,104		10,332,200
Lines and related equipment	11,254,474	736,842		11,991,316
Equipment	663,359	66,859		730,218
Vehicles	1,008,096	77,274	\$ 43,865	1,041,505
Tanks and reservoirs	1,181,435	132,140		1,313,575
Totals	<u>\$ 23,620,017</u>	<u>\$ 2,423,310</u>	<u>\$ 43,865</u>	<u>\$ 25,999,462</u>
Assets being depreciated, net	<u>\$ 63,950,478</u>	<u>\$ (1,398,027)</u>	<u>\$ -</u>	<u>\$ 62,552,452</u>
Water & Sewer Fund capital assets, net	<u>\$ 65,442,444</u>			<u>\$ 67,544,454</u>
Business-type capital assets, net	<u>\$ 65,665,689</u>			<u>\$ 68,202,614</u>

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Capital asset activity for the ABC Board for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 264,044	\$ 376,047		\$ 640,091
Construction in progress	-	103,937	-	103,937
Totals	<u>\$ 264,044</u>	<u>\$ 479,984</u>	<u>\$ -</u>	<u>\$ 744,028</u>
Capital assets being depreciated:				
Buildings	\$ 600,554			\$ 600,554
Real estate improvements	227,899			227,899
Furniture and equipment	156,924	2,620		159,544
Vehicles	26,646			26,646
Computer equipment & software	60,015	8,784		68,799
Totals	<u>\$ 1,072,038</u>	<u>\$ 11,404</u>	<u>\$ -</u>	<u>\$ 1,083,442</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 305,867	\$ 14,914		\$ 320,781
Real estate improvements	68,338	8,494		76,832
Furniture and equipment	108,193	9,508		117,701
Vehicles	26,646			26,646
Computer equipment & software	5,744	13,623		19,367
Totals	<u>\$ 514,788</u>	<u>\$ 46,539</u>	<u>\$ -</u>	<u>\$ 561,327</u>
Assets being depreciated, net	<u>\$ 557,250</u>	<u>\$ (35,135)</u>	<u>\$ -</u>	<u>\$ 522,115</u>
ABC Board capital assets, net	<u>\$ 821,294</u>			<u>\$ 1,266,143</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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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 6.00% of annual covered payroll. For the ABC Board, the current rate for employees is 6.00% 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>2012</u>	<u>2011</u>	<u>2010</u>
City	\$630,758	\$545,426	\$416,513
ABC Board	\$ 47,115	\$ 46,705	\$ 46,818

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
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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, 2012, were \$256,976, which consisted of \$92,040 from the City and \$164,936 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, 2011, the system's membership consisted of:

Retirees receiving benefits	3
Active plan members	<u>44</u>
Total	<u>47</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.

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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	\$ 85,345
Interest on net pension obligation	16,584
Adjustment to annual required contribution	(19,786)
Annual pension cost	\$ 82,143
Contributions made	(61,327)
Increase in net pension obligation	\$ 20,816
Net pension obligation beginning of year	<u>331,681</u>
Net pension obligation end of year	<u>\$ 352,497</u>

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$65,996	84.08%	\$307,996
6/30/2011	\$79,180	70.08%	\$331,681
6/30/2012	\$82,143	74.66%	\$352,497

Actuarial Information:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%

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Funded Status and Funding Progress:

As of December 31, 2011, 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 \$791,329. The covered payroll (annual payroll of active employees covered by the plan) was \$1,831,773 and the ratio of the UAAL to the covered payroll was 43.20 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

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As of year end, there are forty-seven (47) employees eligible for the death benefit with the total liability equal to \$235,000. The City paid out \$5,000 in fiscal year 2011-2012. 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, 2011, the date of the latest actuarial valuation.

	<u>General Employees</u>	<u>Law Enforcement</u>
Retirees and dependents receiving benefits	44	3
Active plan members	<u>179</u>	<u>40</u>
Totals	<u>223</u>	<u>43</u>

Funding Policy:

The City pays the full cost of coverage (\$600 per month) for the healthcare benefits paid to qualified retirees. The City's retirees pay \$540 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis, in the City's Internal Service Fund.

The current ARC rate is 2.73% of annual covered payroll. For the current year, the City contributed \$98,900 or 1.18% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund-Health and Welfare Fund, up to a limit of \$4,900 per individual, with the excess being covered by a private insurer, MedCost. The City's required contributions, under the City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.39 and 0.64% of covered payroll, respectively. 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.

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Annual required contribution	\$ 268,826
Interest on OPEB obligation	21,101
Adjustment to annual required contribution	<u>(18,205)</u>
Annual OPEB cost	\$ 271,722
Contributions made	<u>(98,900)</u>
Increase in net OPEB obligation	\$ 172,822
Net OPEB obligation beginning of year	<u>527,531</u>
Net OPEB obligation end of year	<u>\$ 700,353</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 three 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>
6/30/2010	\$350,149	34.46%	\$427,592
6/30/2011	\$261,457	61.80%	\$527,531
6/30/2012	\$271,722	36.40%	\$700,353

Funding Status and Funding Progress:

As of December 31, 2011, 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 \$3,187,086. The covered payroll (annual payroll of active employees covered by the plan) was \$8,846,414, and the ratio of the UAAL to the covered payroll was 36.0 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

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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, 2011
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	9.5% to 5%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%

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 2010-11 year, additional expenditures were made on the project which would qualify for advances from the construction loan. During the current year, an additional \$79,633 was received, and the final amount of debt, \$571,781 was converted to long-term debt, to be repaid over 20 years, at 2.48% interest.

Changes in short-term debt:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>\$ 492,148</u>	<u>\$ 79,633</u>	<u>\$571,781</u>	<u>\$ -0-</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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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, 2012, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:	\$ 540,000
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>1,900,000</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>\$2,440,000</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.

During the current year, The City's Water and Sewer Fund, in addition to converting the previous short-term construction loan to long-term debt, borrowed \$11,643,452 to undertake a project to replace the water meters of their customers to remotely-read radio transmitting meters, including towers and other infrastructure to receive the information.

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
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Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 1,516,667
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	5,973,451
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%	

J P Morgan Chase Bank Automated Meter Project	11,643,452
Interest due each January 1 and July 1 at 2.583%	
Principal of \$776,230 due each July 1	

State of North Carolina Revolving Loan Fund Clean Water Bonds	504,400
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	543,192
Brightwater Water System Project	
Interest due each May 1 and November 1 at 2.91%	
Principal of \$662,500 due each May 1	

State of North Carolina Revolving Loan Fund Clean Water Bonds	6,625,000
Wastewater Treatment Plant Expansion	
Interest due each May 1 and November 1 at 2.91%	
Principal of \$662,500 due each May 1	

Total Notes Payable	<u>\$26,806,162</u>
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CITY OF HENDERSONVILLE, NORTH CAROLINA
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Principal and interest requirements for long-term obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 423,333	\$ 163,212	\$ 1,785,842	\$ 446,928
2014	423,334	145,485	2,601,211	848,087
2015	423,334	127,758	2,641,891	567,338
2016	423,333	109,942	2,684,173	483,302
2017	423,333	91,875	2,728,120	397,602
2018-2022	1,140,000	253,599	8,709,806	1,130,506
2023-2027	700,000	84,500	4,024,095	345,164
Thereafter	-	-	114,357	7,090
Totals	<u>\$ 3,956,667</u>	<u>\$ 976,371</u>	<u>\$ 25,289,495</u>	<u>\$ 4,226,017</u>

Changes in long-term liabilities:

	Balances June 30, 2011	Additions	Reductions	Balances June 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,630,000		\$ 190,000	\$ 2,440,000	\$ 190,000
Notes payable	1,750,000		233,333	1,516,667	233,333
Compensated absences	526,757	\$ 282,033	293,517	515,273	155,000
Other post-employment benefits	357,648	68,290		425,938	
Net pension obligation	331,681	20,816		352,497	
Governmental activity long-term liabilities	<u>\$ 5,596,086</u>	<u>\$ 371,139</u>	<u>\$ 716,850</u>	<u>\$ 5,250,375</u>	<u>\$ 578,333</u>
Business-type activities:					
Notes payable	14,822,448	\$ 12,215,233	\$ 1,748,186	\$ 25,289,495	\$ 1,785,842
Compensated absences	213,733	198,436	194,739	217,430	65,000
Other post-employment benefits	169,883	104,533		274,416	
Business-type activities long-term liabilities	<u>\$ 15,206,064</u>	<u>\$ 12,518,202</u>	<u>\$ 1,942,925</u>	<u>\$ 25,781,341</u>	<u>\$ 1,850,842</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.

CITY OF HENDERSONVILLE, NORTH CAROLINA
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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, 2012, was \$101,684,039. This represents the maximum amount of long-term debt allowed by law. This is computed as 8% of the total tax base minus certain debt items.

C. 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	\$ 9,109,534
Less:	
Stabilization by State Statute	1,288,518
Restricted for law enforcement	114,910
Restricted for Streets-Powell Bill	262,335
Appropriated fund balance- 2012 budget	<u>881,240</u>
Remaining fund balance	<u>\$ 5,822,117</u>

D. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2012, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for fifteen participating employed firemen in the amount of \$5,732.

Also, the City has recognized as a revenue and an expenditure \$34,150 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, 2012. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund/inter-entity balances as of June 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General Fund	Special Revenue Fund	
	FEMA - SAFER Grant Fund	\$ 74,792
	Capital Project Fund	
	Main Street Infrastructure	
	Improvements Project Fund	300,000
		<u>\$ 374,792</u>
Downtown Tax District Fund	Special Revenue Fund	
	Governor's Highway Safety	
	Bike Safety Hendersonville Grant Fund	\$ 9
Total		<u>\$ 374,801</u>
<u>Receivable Entity</u>	<u>Payable Entity</u>	
Primary Government-	Component Unit	
General Fund	Hendersonville ABC Board	<u>\$ 25,000</u>

Interfund transfers of the City of Hendersonville for the year ended June 30, 2012 consist of the following:

Transfers to Enterprise Funds:

General Fund to Environmental Service Fund \$285,270
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.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Transfers to Governmental Funds:

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 \$ 23,390
This transfer was to assist the Seventh Avenue Tax District Fund to be used for current operating expenses.

General Fund to Rails-to-Trails Project Grant Fund \$ 16,785
This transfer was to satisfy a matching local funds requirement for a grant to study the possible conversion of an abandoned railroad line to a walking trail.

General Fund/Capital Reserve Fund to Main Street Infrastructure \$ 928,381
Improvements Project Fund This transfer was to provide funds for the renovation of portions of Main Street in the City's Central Business District.

Transfers to Internal Service Fund – Health and Welfare Fund

General Fund to Internal Service Fund – Health and Welfare Fund \$ 81,640

Water and Sewer Fund to Internal Service Fund – Health and Welfare Fund \$ 84,284

Environmental Service Fund to Internal Service Fund – Health and Welfare Fund \$ 871

These transfers were to begin to accumulate a reserve balance in the internal service fund used to pay current and retired employee health claims. The intent is to build a reserve that will allow the City to increase the self-insured limit on co-pays and out of pocket costs, and reduce the premiums being paid to outside insurers for this coverage above the current existing limits.

III. COMMITMENTS AND CONTINGENCIES:

A. COMMITMENTS:

Purchase orders issued by the City give rise to encumbrances. The City's purchase orders, and hence, the encumbrances lapse at June 30. During the current year, the City's borrowed \$11,643,452 and signed contracts for the same amount for the Automated Meter Renovation Project. At June 30, 2012, \$3,500,036 had been spent on the project, leaving \$8,143,416 committed for future years' expenditures.

B. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

C. 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, the tax collector 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.

Effective July 1, 2011 the City changed its previous, traditional premium payment only 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. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General Fund, Downtown Tax District Fund, the Environmental Services Fund, and the Water and Sewer Fund, according to the function of the employees and retirees. Payments of claim expenses up to the annual limit are accounted for in the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as an expenditure in the funds. Additionally, the employing funds have made capital contribution transfers to the Health and Welfare Fund, to build a reserve to permit the City to take on additional risk from having higher self-insured co-pays and out-of-pocket costs, with a resulting decrease in premium costs.

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.

D. 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.

E. LAWSUITS:

The City is currently a defendant in three lawsuits. One involves a suit for damages in a road right-of-way disagreement. Two others involve the determination of value of pieces of property acquired through eminent domain. The City does not expect the outcomes to adversely affect the City's financial condition.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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IV. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Deficit fund balance in individual funds:

During the 2010-2011 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. To date, expenditures in the fund have exceeded amounts transferred from the General Fund by \$278,172. 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)			
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%
2011	0	\$791,329	\$791,329	0	\$1,831,773	43.20%

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>
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%
2012	\$85,322	77.57%

Notes to the Required Schedules:

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

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 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%
2011	0	\$3,187,086	\$3,187,086	0	\$8,846,414	36.03%

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%
2012	\$268,826	36.79%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years (open ended)
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.0%
Medical cost trend rate	9.5 % to 5.0 %
Year of ultimate trend rate	2018
Includes inflation at	3.00 %

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 1 of 6

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Revenues:					
Ad valorem taxes:					
Taxes	\$ 6,450,000	\$ 6,526,000	\$ 6,760,843	\$ 234,843	\$ 6,651,284
Penalties and interest	35,000	35,000	62,240	27,240	46,185
Refunds	(5,000)	(5,000)	(46,368)	(41,368)	(417)
Total	\$ 6,480,000	\$ 6,556,000	\$ 6,776,715	\$ 220,715	\$ 6,697,052
Other taxes and licenses:					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,355	\$ 355	\$ 2,500
Local vehicle rental tax	5,000	5,000	8,204	3,204	7,836
Gross receipts tax	240,000	300,000	535,620	235,620	476,816
Total	\$ 247,000	\$ 307,000	\$ 546,179	\$ 239,179	\$ 487,152
Unrestricted intergovernmental:					
Local option sales taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,257,061	\$ 7,061	\$ 2,134,526
Payments in lieu of taxes	17,000	12,330	12,330	0	12,330
Utility franchise tax	500,000	500,000	567,265	67,265	558,674
Video programming fee	100,000	100,000	120,384	20,384	129,834
Telecommunications sales tax	200,000	200,000	326,102	126,102	333,626
Beer and wine tax	50,000	18,000	57,144	39,144	57,891
ABC profit distribution	80,000	80,000	83,388	3,388	100,000
Court fees	5,000	5,000	7,313	2,313	8,803
Total	\$ 3,202,000	\$ 3,165,330	\$ 3,430,987	\$ 265,657	\$ 3,335,684
Restricted intergovernmental:					
Powell Bill allocation	\$ 311,000	\$ 325,000	\$ 365,490	\$ 40,490	\$ 357,694
Federal grant revenues	11,000	0	113,326	113,326	
ABC law enforcement services	40,000	40,000	40,000		40,000
On-behalf-of payments:					
Firemen's Relief			39,882	39,882	29,592
School Resource Officer	37,940	37,940	37,838	(102)	37,838
Total	\$ 399,940	\$ 402,940	\$ 596,536	\$ 193,596	\$ 465,124

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 2 of 6

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Permits and fees:					
Building permits and inspection fees	\$ 16,000	\$ 16,000	\$ 21,893	\$ 5,893	\$ 25,573
Total	\$ 16,000	\$ 16,000	\$ 21,893	\$ 5,893	\$ 25,573
Sales and services:					
Recreation department fees	\$ 25,000	\$ 16,800	\$ 39,259	\$ 22,459	\$ 37,540
Patton Pool revenues	84,000	84,000	121,478	37,478	126,809
Parking revenues	65,000	65,000	83,540	18,540	73,432
Alarm fees	2,500	2,500	1,575	(925)	2,075
Cemetery lots	10,000	10,000	23,500	13,500	11,850
Total	\$ 186,500	\$ 178,300	\$ 269,352	\$ 91,052	\$ 251,706
Investment earnings	\$ 10,100	\$ 10,100	\$ 12,179	\$ 2,079	\$ 20,255
Miscellaneous:					
Insurance proceeds			\$ 16,557	\$ 16,557	\$ 12,464
Parking violations	\$ 24,000	\$ 31,000	48,006	17,006	49,693
Sales of property	600	1,600	6,954	5,354	15,625
Contributions					18,600
Other	11,750	16,450	48,519	32,069	68,706
Total	\$ 36,350	\$ 49,050	\$ 120,036	\$ 70,986	\$ 165,088
Total revenues	\$ 10,577,890	\$ 10,684,720	\$ 11,773,877	\$ 1,089,157	\$ 11,447,634

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 3 of 6

	2012					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual	
	Original	Final	Actual			
Expenditures:						
General government:						
Governing body:						
Salaries and employee benefits	\$ 52,130	\$ 48,460	\$ 44,789	\$ 3,671	\$ 45,796	
Operating expenses	45,030	44,830	43,429	1,401	29,689	
Dues and appropriations	291,500	340,300	317,199	23,101	285,596	
Reimbursement-enterprise fund	(26,180)	(26,030)	(25,803)	(227)	(24,724)	
Total	\$ 362,480	\$ 407,560	\$ 379,614	\$ 27,946	\$ 336,357	
Administration:						
Salaries and employee benefits	\$ 297,580	\$ 305,000	\$ 302,912	\$ 2,088	\$ 294,822	
Operating expenses	84,600	54,300	41,573	12,727	76,096	
Reimbursement-enterprise fund	(147,070)	(146,900)	(152,225)	5,325	(140,766)	
Total	\$ 235,110	\$ 212,400	\$ 192,260	\$ 20,140	\$ 230,152	
Finance:						
Salaries and employee benefits	\$ 746,060	\$ 715,880	\$ 703,879	\$ 12,001	\$ 724,439	
Operating expenses	80,850	80,900	69,852	11,048	61,410	
Reimbursement-enterprise fund	(478,410)	(460,700)	(473,131)	12,431	(549,804)	
Total	\$ 348,500	\$ 336,080	\$ 300,600	\$ 35,480	\$ 236,045	
City engineer:						
Salaries and employee benefits	\$ 316,540	\$ 358,700	\$ 357,534	\$ 1,166	\$ 298,829	
Operating expenses	21,950	17,700	15,841	1,859	17,624	
Reimbursement-enterprise fund	(158,540)	(179,700)	(179,196)	(504)	(148,137)	
Total	\$ 179,950	\$ 196,700	\$ 194,179	\$ 2,521	\$ 168,316	
Information technology:						
Salaries and employee benefits	\$ 102,220	\$ 105,200	\$ 104,607	\$ 593	\$ 99,727	
Operating expenses	281,550	261,450	251,355	10,095	240,180	
Capital outlay	26,000	20,000	19,312	688	52,995	
Reimbursement-enterprise fund	(95,170)	(89,750)	(99,635)	9,885	(90,266)	
Total	\$ 314,600	\$ 296,900	\$ 275,639	\$ 21,261	\$ 302,636	
Legal department:						
Salaries and employee benefits	\$ 171,120	\$ 180,750	\$ 178,680	\$ 2,070	\$ 172,579	
Operating expenses	31,510	30,610	22,801	7,809	23,197	
Reimbursement-enterprise fund	(85,620)	(84,510)	(91,195)	6,685	(96,980)	
Total	\$ 117,010	\$ 126,850	\$ 110,286	\$ 16,564	\$ 98,796	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 4 of 6

	2012					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual	
	Original	Final	Actual			
Fleet maintenance:						
Salaries and employee benefits	\$ 311,870	\$ 302,870	\$ 306,281	\$ (3,411)	\$ 310,541	
Operating expenses	130,100	154,200	135,069	19,131	138,543	
Capital outlay	20,000					
Reimbursement-other departments	(60,000)	(77,000)	(87,419)	10,419	(96,496)	
Reimbursement-enterprise fund	(40,000)	(42,000)	(46,687)	4,687	(50,974)	
Total	\$ 361,970	\$ 338,070	\$ 307,244	\$ 30,826	\$ 301,614	
Public buildings:						
Salaries and employee benefits	\$ 163,850	\$ 160,370	\$ 162,925	\$ (2,555)	\$ 157,887	
Operating expenses	195,910	252,402	230,548	21,854	207,473	
Capital outlay	31,000	9,000		9,000	12,079	
Total	\$ 390,760	\$ 421,772	\$ 393,473	\$ 28,299	\$ 377,439	
Total general government	\$ 2,310,380	\$ 2,336,332	\$ 2,153,295	\$ 183,037	\$ 2,051,355	
Public safety:						
Police:						
Salaries and employee benefits	\$ 3,146,780	\$ 3,074,710	\$ 3,117,598	\$ (42,888)	\$ 3,120,098	
Operating expenses	542,230	545,623	537,878	7,745	538,414	
Capital outlay	94,000	120,000	119,900	100	103,402	
Total	\$ 3,783,010	\$ 3,740,333	\$ 3,775,376	\$ (35,043)	\$ 3,761,914	
Fire:						
Salaries and employee benefits	\$ 1,250,540	\$ 1,220,230	\$ 1,196,522	\$ 23,708	\$ 1,176,247	
Operating expenses	148,780	267,857	246,267	21,590	151,912	
Capital outlay	38,500	5,764		5,764	44,158	
On-behalf payments:						
Firemen's Relief fund			39,882	(39,882)	29,592	
Contract coverage-Vol. departments	333,050	315,369	315,369	0	330,932	
Total	\$ 1,770,870	\$ 1,809,220	\$ 1,798,040	\$ 11,180	\$ 1,732,841	
Zoning:						
Salaries and employee benefits	\$ 123,200	\$ 125,700	\$ 125,535	\$ 165	\$ 124,350	
Operating expenses	58,200	56,255	53,616	2,639	16,004	
Total	\$ 181,400	\$ 181,955	\$ 179,151	\$ 2,804	\$ 140,354	
Planning:						
Salaries and employee benefits	\$ 198,200	\$ 194,170	\$ 167,289	\$ 26,881	\$ 192,486	
Operating expenses	47,170	56,850	50,531	6,319	33,608	
Total	\$ 245,370	\$ 251,020	\$ 217,820	\$ 33,200	\$ 226,094	
Total public safety	\$ 5,980,650	\$ 5,982,528	\$ 5,970,387	\$ 12,141	\$ 5,861,203	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 5 of 6

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Transportation:					
Administration:					
Salaries and employee benefits	\$ 241,780	\$ 234,930	\$ 240,705	\$ (5,775)	\$ 240,237
Operating expenses	77,140	76,070	70,092	5,978	70,082
Total	\$ 318,920	\$ 311,000	\$ 310,797	\$ 203	\$ 310,319
Streets and highways:					
Salaries and employee benefits	\$ 386,730	\$ 380,490	\$ 363,829	\$ 16,661	\$ 371,725
Operating expenses	320,750	356,750	342,699	14,051	270,378
Capital outlay	20,000	290,204	269,954	20,250	12,413
Reimbursement-enterprise fund	(93,500)	(160,050)	(172,559)	12,509	(144,912)
Total	\$ 633,980	\$ 867,394	\$ 803,923	\$ 63,471	\$ 509,604
State Street Aid allocation:					
Operating expenses	\$ 311,000	\$ 325,000	\$ 324,985	\$ 15	\$ 308,311
Total	\$ 311,000	\$ 325,000	\$ 324,985	\$ 15	\$ 308,311
Traffic engineering:					
Salaries and employee benefits	\$ 118,350	\$ 116,380	\$ 120,888	\$ (4,508)	\$ 112,304
Operating expenses	227,030	222,280	230,910	(8,630)	205,328
Capital outlay		11,000		11,000	8,900
Total	\$ 345,380	\$ 349,660	\$ 351,798	\$ (2,138)	\$ 326,532
Total transportation	\$ 1,609,280	\$ 1,853,054	\$ 1,791,503	\$ 61,551	\$ 1,454,766
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	\$ 417,120	\$ 404,300	\$ 393,290	\$ 11,010	\$ 380,474
Operating expenses	52,900	62,430	62,898	(468)	59,265
Capital outlay	50,000	48,050	39,050	9,000	62,761
Total park maintenance, drainage, and lot clearing	\$ 520,020	\$ 514,780	\$ 495,238	\$ 19,542	\$ 502,500
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	\$ 119,770	\$ 119,770	\$ 129,325	\$ (9,555)	\$ 109,587
Operating expenses	159,050	113,133	108,508	4,625	81,210
Capital outlay	7,000	11,500		11,500	
Total cultural and recreational	\$ 285,820	\$ 244,403	\$ 237,833	\$ 6,570	\$ 190,797

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-1
Page 6 of 6

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Debt service:					
Principal	\$ 404,850	\$ 423,350	\$ 423,333	\$ 17	\$ 373,333
Interest and fees	256,030	211,851	200,890	10,961	219,650
Total debt service	\$ 660,880	\$ 635,201	\$ 624,223	\$ 10,978	\$ 592,983
Total expenditures	\$ 11,367,030	\$ 11,566,298	\$ 11,272,479	\$ 293,819	\$ 10,653,604
Revenues over (under) expenditures	\$ (789,140)	\$ (881,578)	\$ 501,398	\$ 1,382,976	\$ 794,030
Other financing sources / (uses)					
Transfers from (to) other funds:					
Enterprise funds:					
Environmental Service Fund	\$ (249,790)	\$ (285,270)	\$ (285,270)		\$ (249,790)
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)
Seventh Avenue Tax District Fund	(25,890)	(23,390)	(23,390)		(24,690)
Capital Reserve Fund	303,870	303,870	303,840	\$ (30)	313,360
Capital Reserve Fund		(1,100,266)	(1,100,266)		(245,472)
Britton Creek Stormwater Master Plan Project Grant Fund					(5,556)
Main Street Renovation Project Fund Improvement Project Fund					(66,412)
Rails-to-Trails Project Grant Fund			(16,785)	(16,785)	
Health and Welfare Self-Insurance Fund		(183,760)	(81,640)	102,120	
Contingencies budgeted	(150,000)	(150,000)		150,000	
Fund balance appropriated	939,180	2,321,274		(2,321,274)	
Total other financing sources (uses)	\$ 789,140	\$ 881,578	\$ (1,204,391)	\$ (2,085,969)	\$ (306,790)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (702,993)	\$ (702,993)	\$ 487,240
Fund balances:					
Beginning of year, July 1			8,368,353		7,881,113
End of year, June 30			\$ 7,665,360		\$ 8,368,353

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-2

	2012					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual	
	Original	Final	Actual			
Revenues:						
Investment earnings	\$ 1,000	\$ 1,000	\$ 2,474	\$ 1,474	\$ 1,960	
Total revenues	\$ 1,000	\$ 1,000	\$ 2,474	\$ 1,474	\$ 1,960	
Expenditures:						
General government:						
Investment fees	\$ 1,000	\$ 1,000	\$ 502	\$ 498	978	
Total expenditures	\$ 1,000	\$ 1,000	\$ 502	\$ 498	\$ 978	
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 1,972	\$ 1,972	\$ 982	
Other financing sources (uses):						
Transfer from General Fund		\$ 1,100,266	\$ 1,100,266		\$ 245,472	
Transfer (to) General Fund	\$ (303,870)	(303,870)	(303,840)	30	(313,360)	
Transfer (to) Fire Station Cap Proj Fund						
Transfer (to) Main Street Infrastructure Improvement Capital Project Fund		(928,381)	(928,381)		(245,472)	
Appropriated fund balance	303,870	131,985		\$ (131,985)		
Total other financing sources (uses)	\$ 0	\$ 0	\$ (131,955)	\$ (131,955)	\$ (313,360)	
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (129,983)	\$ (129,983)	\$ (312,378)	
Fund balance:						
Beginning of year, July 1			833,743		1,146,121	
End of year, June 30			\$ 703,760		\$ 833,743	

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, 2012

	SPECIAL		REVENUE	FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Program Grant Fund	FEMA - SAFER Hiring Program Grant Fund
ASSETS				
Cash and cash equivalents	\$ 127,021	\$ 18,560		
Restricted cash and cash equivalents				
Due from other funds	9			
Receivables:				
Taxes (net)	14,864	1,720		
Accounts	453	35		
Grants				\$ 74,792
Refundable taxes	704		\$ 142	
Total Assets	<u>\$ 143,051</u>	<u>\$ 20,315</u>	<u>\$ 142</u>	<u>\$ 74,792</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,808	\$ 213		
Salaries payable	919			
Retainages payable				
Due to other funds			\$ 9	\$ 74,792
Deferred revenues	14,864	1,720	133	
Total Liabilities	<u>\$ 36,591</u>	<u>\$ 1,933</u>	<u>\$ 142</u>	<u>\$ 74,792</u>
Fund balances:				
Restricted				
Stabilization by state Statute	\$ 1,157	\$ 35		
Economic development	48,303	18,347		
Transportation				
Assigned				
Subsequent year's expenditures	57,000			
Unassigned				
Total Fund balances	<u>\$ 106,460</u>	<u>\$ 18,382</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities and Fund balances	<u>\$ 143,051</u>	<u>\$ 20,315</u>	<u>\$ 142</u>	<u>\$ 74,792</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

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
\$ 145,581	\$ 1,161,131	\$ 5,393	\$ 5,393	\$ 150,974
9			1,161,131	1,161,131
16,584				16,584
488				488
74,792	250,000		250,000	324,792
846	2,708	\$ 19,462	22,170	23,016
<u>\$ 238,300</u>	<u>\$ 1,413,839</u>	<u>\$ 24,855</u>	<u>\$ 1,438,694</u>	<u>\$ 1,676,994</u>
\$ 21,021	\$ 154,988	\$ 3,027	\$ 158,015	\$ 179,036
919				919
	34,683		34,683	34,683
74,801		300,000	300,000	374,801
16,717				16,717
<u>\$ 113,458</u>	<u>\$ 189,671</u>	<u>\$ 303,027</u>	<u>\$ 492,698</u>	<u>\$ 606,156</u>
\$ 1,192	\$ 252,708		\$ 252,708	\$ 253,900
66,650				66,650
	971,460		971,460	971,460
57,000				57,000
		\$ (278,172)	(278,172)	(278,172)
<u>\$ 124,842</u>	<u>\$ 1,224,168</u>	<u>\$ (278,172)</u>	<u>\$ 945,996</u>	<u>\$ 1,070,838</u>
<u>\$ 238,300</u>	<u>\$ 1,413,839</u>	<u>\$ 24,855</u>	<u>\$ 1,438,694</u>	<u>\$ 1,676,994</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, 2012

	SPECIAL		REVENUE		FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Grant Fund	Justice Assistance Grant - WCEPP Program Grant Fund	FEMA - SAFER Hiring Program Grant Fund
Revenues:					
Ad valorem taxes	\$ 232,687	\$ 11,471			
Unrestricted intergovernmental	100,600	2,500			
Restricted intergovernmental			\$ 28,549	\$ 1,361	\$ 322,341
Local contributions					
Miscellaneous income	2,675	49			
Investment earnings	21	1			
Total Revenues	\$ 335,983	\$ 14,021	\$ 28,549	\$ 1,361	\$ 322,341
Expenditures:					
Public safety			\$ 28,549	\$ 1,361	\$ 322,341
Transportation					
Economic and physical development	\$ 230,647	\$ 34,769			
Total Expenditures	\$ 230,647	\$ 34,769	\$ 28,549	\$ 1,361	\$ 322,341
Revenues over (under) expenditures	\$ 105,336	\$ (20,748)	\$ 0	\$ 0	\$ 0
Other financing sources / (uses):					
Transfer in - General Fund		\$ 23,390			
Transfer in - Gen Fund/Capital Reserve Fund					
Transfer out - General Fund	\$ (100,000)				
Total other financing sources / (uses)	\$ (100,000)	\$ 23,390	\$ 0	\$ 0	\$ 0
Revenues and other financing sources over / (under) expenditures and other (uses):	\$ 5,336	\$ 2,642	\$ 0	\$ 0	\$ 0
Fund balances:					
Beginning of year, July 1	101,124	15,740			
End of year, June 30	\$ 106,460	\$ 18,382	\$ 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, 2012

Exhibit C-2

SPECIAL		REVENUE	FUNDS	CAPITAL	PROJECT	FUNDS	
Rails-to-Trails Project Grant Fund	Oak Haven Comm Dev Block Grant Fund		Total	Sidewalk Construction Project Fund	Main Street Infrastructure Improvement Project Fund	Total	Total Nonmajor Governmental Funds
			\$ 244,158				\$ 244,158
			103,100				103,100
\$ 55,020	\$ 140,000		547,271	\$ 250,000		\$ 250,000	797,271
13,000			13,000				13,000
			2,724				2,724
			22	873		873	895
<u>\$ 68,020</u>	<u>\$ 140,000</u>		<u>\$ 910,275</u>	<u>\$ 250,873</u>	<u>\$ 0</u>	<u>\$ 250,873</u>	<u>\$ 1,161,148</u>
			\$ 352,251			\$ 0	\$ 352,251
\$ 87,810			87,810	\$ 761,937	\$ 1,111,122	1,873,059	1,960,869
	\$ 140,000		405,416				405,416
<u>\$ 87,810</u>	<u>\$ 140,000</u>		<u>\$ 845,477</u>	<u>\$ 761,937</u>	<u>\$ 1,111,122</u>	<u>\$ 1,873,059</u>	<u>\$ 2,718,536</u>
<u>\$ (19,790)</u>	<u>\$ 0</u>		<u>\$ 64,798</u>	<u>\$ (511,064)</u>	<u>\$ (1,111,122)</u>	<u>\$ (1,622,186)</u>	<u>\$ (1,557,388)</u>
\$ 16,785			\$ 40,175				40,175
			(100,000)		\$ 928,381	\$ 928,381	928,381
<u>\$ 16,785</u>	<u>\$ 0</u>		<u>\$ (59,825)</u>	<u>\$ 0</u>	<u>\$ 928,381</u>	<u>\$ 928,381</u>	<u>\$ 868,556</u>
\$ (3,005)	\$ 0		\$ 4,973	\$ (511,064)	\$ (182,741)	\$ (693,805)	\$ (688,832)
<u>3,005</u>			<u>119,869</u>	<u>1,735,232</u>	<u>(95,431)</u>	<u>1,639,801</u>	<u>1,759,670</u>
<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 124,842</u>	<u>\$ 1,224,168</u>	<u>\$ (278,172)</u>	<u>\$ 945,996</u>	<u>\$ 1,070,838</u>

SPECIAL REVENUE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-3

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Revenues:					
Ad valorem taxes:					
Taxes	\$ 221,900	\$ 221,900	\$ 231,163	\$ 9,263	\$ 230,692
Penalties and interest	600	600	1,524	924	1,272
Refunds	(100)	(100)		100	
Total	\$ 222,400	\$ 222,400	\$ 232,687	\$ 10,287	\$ 231,964
Sales and use taxes	\$ 100,600	\$ 100,600	\$ 100,600		\$ 100,600
Miscellaneous income			2,675	\$ 2,675	
Investment earnings	100	100	21	(79)	44
Total revenues	\$ 323,100	\$ 323,100	\$ 335,983	\$ 12,883	\$ 332,608
Expenditures:					
Economic and physical development:					
Salaries and employee benefits		\$ 57,730	\$ 44,981	\$ 12,749	
Operating expenses	\$ 281,000	223,270	185,666	37,604	\$ 226,990
Total expenditures	\$ 281,000	\$ 281,000	\$ 230,647	\$ 50,353	\$ 226,990
Revenues over (under) expenditures	\$ 42,100	\$ 42,100	\$ 105,336	\$ 63,236	\$ 105,618
Other financing sources / (uses)					
Transfer from General Fund					\$ 27,350
Transfer (to) General Fund	\$ (100,000)	(100,000)	(100,000)		(100,000)
Fund balance appropriated	57,900	57,900		\$ (57,900)	
Total other financing sources / (uses)	\$ (42,100)	\$ (42,100)	\$ (100,000)	\$ (57,900)	\$ (72,650)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 5,336	\$ 5,336	\$ 32,968
Fund balances:					
Beginning of year, July 1			101,124		68,156
End of year, June 30			\$ 106,460		\$ 101,124

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-4

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Revenues:					
Ad valorem taxes:					
Taxes	\$ 8,200	\$ 11,750	\$ 11,370	\$ (380)	\$ 8,885
Penalties and interest	150	150	101	(49)	49
Total	\$ 8,350	\$ 11,900	\$ 11,471	\$ (429)	\$ 8,934
Sales and use taxes	\$ 2,500	\$ 2,500	\$ 2,500		\$ 2,500
Miscellaneous			49	\$ 49	
Investment earnings			1	1	1
Total revenues	\$ 10,850	\$ 14,400	\$ 14,021	\$ (379)	\$ 11,435
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 35,540	\$ 37,790	\$ 34,769	\$ 3,021	\$ 35,761
Total expenditures	\$ 35,540	\$ 37,790	\$ 34,769	\$ 3,021	\$ 35,761
Revenues over (under) expenditures	\$ (24,690)	\$ (23,390)	\$ (20,748)	\$ 2,642	\$ (24,326)
Other financing sources					
Transfer from General Fund	\$ 24,690	\$ 23,390	\$ 23,390	0	\$ 24,690
Total other financing sources	\$ 24,690	\$ 23,390	\$ 23,390	\$ 0	\$ 24,690
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 2,642	\$ 2,642	\$ 364
Fund balances:					
Beginning of year, July 1			15,740		15,376
End of year, June 30			\$ 18,382		\$ 15,740

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
GOVERNOR'S HIGHWAY SAFETY PROGRAM
BIKE SAFE HENDERSONVILLE PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-5

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 29,250		\$ 28,549	\$ 28,549	\$ (701)
Total revenues	\$ 29,250	\$ 0	\$ 28,549	\$ 28,549	\$ (701)
Expenditures :					
Public safety					
Police department					
Operating expense			\$ 1,405	\$ 1,405	\$ (1,405)
Capital outlay	\$ 29,250		27,144	27,144	2,106
Total expenditures	\$ 29,250	\$ 0	\$ 28,549	\$ 28,549	\$ 701
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
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, 2012

Exhibit C-6

	Actual				
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 12,554	\$ 11,193	\$ 1,361	\$ 12,554	\$ 0
Total revenues	\$ 12,554	\$ 11,193	\$ 1,361	\$ 12,554	\$ 0
Expenditures :					
Public safety					
Police department					
Grant expense	\$ 12,554	\$ 11,193	\$ 1,361	\$ 12,554	\$ 0
Total expenditures	\$ 12,554	\$ 11,193	\$ 1,361	\$ 12,554	\$ 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
FEMA - STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE-
HIRING PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-7

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 506,000		\$ 322,341	\$ 322,341	\$ (183,659)
Total revenues	\$ 506,000	\$	\$ 322,341	\$ 322,341	\$ (183,659)
Expenditures :					
Public safety:					
Fire department-					
Salaries and employee benefits	\$ 595,290		\$ 322,341	\$ 322,341	\$ 272,949
Total expenditures	\$ 595,290	\$ 0	\$ 322,341	\$ 322,341	\$ 272,949
Revenues over (under) expenditures	\$ (89,290)	\$ 0	\$ 0	\$ 0	\$ 89,290
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 89,290		\$ 0	\$ 0	\$ (89,290)
Total other financing sources	\$ 89,290	\$	\$	\$ 0	\$ (89,290)
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, 2012

Exhibit C-8

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 52,000	\$ 7,980	\$ 44,020	\$ 52,000	
Local matching contributions:					
Henderson County					
Travel & Tourism	10,000		10,000	10,000	
Town of Brevard	5,000	5,000		5,000	
Town of Laurel Park	1,000		1,000	1,000	
Friends of Ecusta Trail	13,000		13,000	13,000	
Total revenues	\$ 81,000	\$ 12,980	\$ 68,020	\$ 81,000	\$ 0
Expenditures :					
Transportation:					
Operating expenses-					
Professional fees - Impact study					
Railroad / pedestrian hiking trail	\$ 97,785	\$ 9,975	\$ 87,810	\$ 97,785	\$ 0
Total expenditures	\$ 97,785	\$ 9,975	\$ 87,810	\$ 97,785	\$ 0
Revenues over (under) expenditures	\$ (16,785)	\$ 3,005	\$ (19,790)	\$ (16,785)	\$ 0
Other financing sources :					
Local matching contribution:					
Transfer-General Fund	\$ 16,785		\$ 16,785	\$ 16,785	
Total other financing sources	\$ 16,785	\$ 0	\$ 16,785	\$ 16,785	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 3,005	\$ (3,005)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			3,005		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
OAK HAVEN COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-9

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 140,000		\$ 140,000	\$ 140,000	
Total revenues	\$ 140,000	\$ 0	\$ 140,000	\$ 140,000	\$ 0
Expenditures :					
Economic development					
Operating expenditures	\$ 140,000		\$ 140,000	\$ 140,000	
Total expenditures	\$ 140,000	\$ 0	\$ 140,000	\$ 140,000	\$ 0
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1					
End of year, June 30			\$ 0		

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, 2012

Exhibit D-1

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grant	\$ 105,000	\$ 105,000		\$ 105,000	
Federal grant	325,000	75,000	\$ 250,000	325,000	
Local contributions	52,260	52,260		52,260	
Investment earnings	147,740	30,820	873	31,693	\$ (116,047)
Total revenues	\$ 630,000	\$ 263,080	\$ 250,873	\$ 513,953	\$ (116,047)
Expenditures :					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,730,000	\$ 627,848	\$ 761,937	\$ 1,389,785	\$ 1,340,215
Total expenditures	\$ 2,730,000	\$ 627,848	\$ 761,937	\$ 1,389,785	\$ 1,340,215
Revenues over (under) expenditures	\$ (2,100,000)	\$ (364,768)	\$ (511,064)	\$ (875,832)	\$ 1,224,168
Other financing sources :					
General obligation bonds issued	\$ 2,100,000	\$ 2,100,000		\$ 2,100,000	
Total other financing sources	\$ 2,100,000	\$ 2,100,000	\$ 0	\$ 2,100,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 1,735,232	\$ (511,064)	\$ 1,224,168	\$ 1,224,168
Fund balance:					
Beginning of year, July 1			1,735,232		
End of year, June 30			\$ 1,224,168		

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, 2012

Exhibit D-2

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Grant revenues	\$ 13,392				\$ (13,392)
Local contributions	46,213	\$ 46,213		\$ 46,213	
Investment earnings	10,000				(10,000)
Total revenues	\$ 69,605	\$ 46,213	\$ 0	\$ 46,213	\$ (23,392)
Expenditures :					
Transportation:					
Capital outlay- street and sidewalk construction	\$ 1,887,870	\$ 453,528	\$ 1,111,122	\$ 1,564,650	\$ 323,220
Total expenditures	\$ 1,887,870	\$ 453,528	\$ 1,111,122	\$ 1,564,650	\$ 323,220
Revenues over (under) expenditures	\$ (1,818,265)	\$ (407,315)	\$ (1,111,122)	\$ (1,518,437)	\$ 299,828
Other financing sources :					
Transfer from General Fund	\$ 66,412	\$ 66,412		\$ 66,412	
Transfer from Capital Reserve Fund	1,173,853	245,472	\$ 928,381	1,173,853	
General obligation bonds issued	578,000				(578,000)
Total other financing sources	\$ 1,818,265	\$ 311,884	\$ 928,381	\$ 1,240,265	\$ (578,000)
Revenues and other financing sources over expenditures	\$ 0	\$ (95,431)	\$ (182,741)	\$ (278,172)	\$ (278,172)
Fund balance:					
Beginning of year, July 1			(95,431)		
End of year, June 30			\$ (278,172)		

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit E-1

	2012				
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	2011 Actual	
	Original	Final	Actual		
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Residential	\$ 672,400	\$ 672,400	\$ 684,252	\$ 11,852	\$ 673,424
Commercial	144,600	145,600	145,050	(550)	142,187
Total operating revenues	\$ 817,000	\$ 818,000	\$ 829,302	\$ 11,302	\$ 815,611
Non-operating revenues:					
Investment earnings	\$ 10	\$ 10	\$ 10		\$ 20
State Solid Waste Tax	15,000	15,000	9,005	(5,995)	8,904
Other income	1,000				
Federal grants			104,250	104,250	
Transfer from General Fund	285,270	285,270	285,270		249,790
Total non-operating revenues	\$ 301,280	\$ 300,280	\$ 398,535	\$ 98,255	\$ 258,714
Total revenues	<u>\$ 1,118,280</u>	<u>\$ 1,118,280</u>	<u>\$ 1,227,837</u>	<u>\$ 109,557</u>	<u>\$ 1,074,325</u>
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	\$ 502,650	\$ 493,330	\$ 493,364	\$ (34)	\$ 427,083
Landfill tipping fees	225,000	219,000	190,792	28,208	187,818
Other departmental expenses	287,100	285,994	250,376	35,618	146,923
Contracted services	35,000	41,000	39,409	1,591	214,704
Total	\$ 1,049,750	\$ 1,039,324	\$ 973,941	\$ 65,383	\$ 976,528
Budgetary appropriations:					
Interest	\$ 21,490	\$ 21,490		\$ 21,490	
Debt principal	91,310	91,310		91,310	
Capital outlay	400,000	499,554	\$ 499,554		\$ 142,907
Total	\$ 512,800	\$ 612,354	\$ 499,554	\$ 112,800	\$ 142,907
Total expenditures	<u>\$ 1,562,550</u>	<u>\$ 1,651,678</u>	<u>\$ 1,473,495</u>	<u>\$ 178,183</u>	<u>\$ 1,119,435</u>
Revenues over / (under expenditures)	<u>\$ (444,270)</u>	<u>\$ (533,398)</u>	<u>\$ (245,658)</u>	<u>\$ 287,740</u>	<u>\$ (45,110)</u>
Other financing sources / (uses):					
Proceeds of debt	\$ 500,000	\$ 500,000		\$ (500,000)	
Transfer to Health & Welfare Fund		(9,420)	(871)	8,549	
Fund balance appropriated	(55,730)	42,818		(42,818)	
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (246,529)</u>	<u>\$ (246,529)</u>	<u>\$ (45,110)</u>
Reconciliation of modified accrual basis to full accrual basis:					
Capital outlay			499,554		142,907
(Decrease) / increase in accrued revenues			6,416		(621)
Decrease / in allowance for uncollectible acco			23,400		14,018
Depreciation			(64,639)		(35,691)
(Increase) / decrease in compensated absences			(1,148)		(1,739)
(Increase) in other postemployment benefits			(24,651)		(593)
Change in net assets			<u>\$ 192,403</u>		<u>\$ 73,171</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit E-2
Page 1 of 3

	2012					
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual	
	Original	Final	Actual			
Revenues:						
Operating revenues:						
Charges for services:						
Water sales	\$ 8,704,500	\$ 8,704,500	\$ 8,555,127	\$ (149,373)	\$ 8,748,507	
Sewer charges	4,292,000	4,292,000	4,182,857	(109,143)	4,172,392	
Water and sewer taps	110,000	110,000	291,357	181,357	125,280	
Other operating revenues:						
System development charges	233,000	233,000	807,745	574,745	257,620	
Federal grant			17,769	17,769		
Other	129,000	129,000	121,051	(7,949)	121,901	
Total operating revenues	\$ 13,468,500	\$ 13,468,500	\$ 13,975,906	\$ 507,406	\$ 13,425,700	
Non-operating revenues:						
Investment earnings	\$	\$ 20,000	\$ 17,353	\$ (2,647)	\$ 22,068	
Transfer from General Fund		100,800	100,880		100,880	
Sale of fixed assets		2,500			32,225	
Other non-operating revenues		14,400	17,332	2,932	12,455	
Total non-operating revenues	\$ 0	\$ 137,700	\$ 135,565	\$ 285	\$ 167,628	
Total revenues	\$ 13,468,500	\$ 13,606,200	\$ 14,111,471	\$ 507,691	\$ 13,593,328	
Expenditures:						
Administration:						
Salaries and employee benefits	\$ 226,690	\$ 241,990	\$ 239,075	\$ 2,915	\$ 222,169	
Contracted services	49,000	116,800	98,546	18,254	65,194	
Engineering department expense	176,680	173,700	179,196	(5,496)	148,137	
Supplies	11,000	11,000	10,247	753	10,447	
Other departmental expenses	311,620	298,270	298,337	(67)	329,785	
Total	\$ 774,990	\$ 841,760	\$ 825,401	\$ 16,359	\$ 775,732	
Business operations:						
Salaries and employee benefits	\$ 476,810	\$ 460,700	\$ 473,131	\$ (12,431)	\$ 549,804	
Supplies	112,000	112,000	54,335	57,665	49,378	
Other departmental expenses	422,140	421,200	483,686	(62,486)	388,147	
Total	\$ 1,010,950	\$ 993,900	\$ 1,011,152	\$ (17,252)	\$ 987,329	
Operations and maintenance:						
Salaries and employee benefits	\$ 377,680	\$ 375,910	\$ 377,887	\$ (1,977)	\$ 374,805	
Utilities	225,000	223,456	200,330	23,126	217,540	
Supplies	27,000	28,944	32,625	(3,681)	31,494	
Other departmental expenses	197,100	176,700	92,047	84,653	115,159	
Total	\$ 826,780	\$ 805,010	\$ 702,889	\$ 102,121	\$ 738,998	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit E-2
Page 2 of 3

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Water treatment plant:					
Salaries and employee benefits	\$ 572,890	\$ 570,230	\$ 573,388	\$ (3,158)	\$ 572,542
Contracted services	62,000	62,000	35,456	26,544	27,234
Utilities	340,000	334,123	268,039	66,084	269,945
Chemicals	400,000	397,000	413,794	(16,794)	395,916
Supplies	57,500	77,840	70,787	7,053	51,066
Other departmental expenses	120,900	135,437	100,408	35,029	77,791
Total	\$ 1,553,290	\$ 1,576,630	\$ 1,461,872	\$ 114,758	\$ 1,394,494
Field operations:					
Salaries and employee benefits	\$ 652,810	\$ 646,700	\$ 652,133	\$ (5,433)	\$ 636,616
Supplies	47,800	55,188	57,974	(2,786)	49,341
Other departmental expenses	83,100	95,212	71,479	23,733	71,774
Total	\$ 783,710	\$ 797,100	\$ 781,586	\$ 15,514	\$ 757,731
Water line maintenance:					
Salaries and employee benefits	\$ 696,570	\$ 638,120	\$ 596,810	\$ 41,310	\$ 646,339
Contracted services	36,500	31,000	5,969	25,031	7,118
Issues from inventory	350,000	350,000	176,309	173,691	234,391
Supplies	95,600	115,850	124,117	(8,267)	103,774
Other departmental expenses	196,000	189,629	133,486	56,143	183,756
Total	\$ 1,374,670	\$ 1,324,599	\$ 1,036,691	\$ 287,908	\$ 1,175,378
Waste treatment plant:					
Salaries and employee benefits	\$ 570,920	\$ 569,030	\$ 571,232	\$ (2,202)	\$ 556,992
Contracted services	20,500	20,500	17,029	3,471	27,573
Sludge management	380,000	307,300	303,837	3,463	272,641
Utilities	230,000	230,000	242,873	(12,873)	222,553
Supplies	47,400	63,024	53,310	9,714	48,817
Other departmental expenses	127,800	168,176	164,131	4,045	123,392
Total	\$ 1,376,620	\$ 1,358,030	\$ 1,352,412	\$ 5,618	\$ 1,251,968
Sewer line maintenance:					
Salaries and employee benefits	\$ 473,020	\$ 454,700	\$ 451,112	\$ 3,588	\$ 448,293
Contracted services	386,500	295,000	218,885	76,115	70,852
Issues from inventory	30,000	117,000	41,592	75,408	19,383
Supplies	72,000	77,056	90,548	(13,492)	73,837
Other departmental expenses	67,050	246,494	236,102	10,392	57,894
Total	\$ 1,028,570	\$ 1,190,250	\$ 1,038,239	\$ 152,011	\$ 670,259

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit E-2
Page 3 of 3

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Budgetary appropriations:					
Interest	\$ 515,360	\$ 515,360	\$ 526,911	\$ (11,551)	\$ 564,295
Debt principal	1,892,730	1,892,730	1,748,186	144,544	1,938,367
Capital outlay:					
Equipment	1,121,000	1,142,607	763,959	378,648	206,854
Water lines	1,640,000	1,560,221	207,518	1,352,703	546,759
Sewer lines		150,000	53,806	96,194	27,082
Total	\$ 5,169,090	\$ 5,260,918	\$ 3,300,380	\$ 1,960,538	\$ 3,283,357
Total expenditures	\$ 13,898,670	\$ 14,148,197	\$ 11,510,622	\$ 2,637,575	\$ 11,035,246
Revenues over (under) expenditures	\$ (430,170)	\$ (541,997)	\$ 2,600,849	\$ 3,145,266	\$ 2,558,082
Other financing sources (uses):					
Contingencies	\$ (200,000)	\$ (200,000)		\$ 200,000	
Transfer (to) Capital Projects Funds			\$	0	\$ (1,145,918)
Transfer (to) Health & Welfare Fund		(144,180)	(84,284)		147,510
Proceeds of debt			79,633		
Fund balance appropriated	630,170	886,177		(886,177)	
Total other financing sources (uses)	\$ 430,170	\$ 541,997	\$ (4,651)	\$ (686,177)	\$ (998,408)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 2,596,198	\$ 2,459,089	\$ 1,559,674
Reconciliation of modified accrual basis to full accrual basis:					
Increase / (decrease) in accrued revenues			25,040		(19,873)
(Increase) / decrease in allowance for doubtful accounts			48,056		(19,316)
Debt issued			(79,633)		
Capital grant in capital project fund					285,014
Interest earned in capital project fund			1,062		
Payment of debt principal			1,748,186		1,938,367
Capital outlay			1,025,283		780,695
Book value of disposed equipment					(354,341)
Transfers to capital projects funds					998,408
(Increase) / decrease in bond and note interest accrued			(48,248)		15,620
Depreciation			(2,423,310)		(2,443,939)
(Increase) in compensated absences			(2,549)		(16,807)
(Increase) in other postemployment benefits liability			(79,881)		(22,854)
Change in net assets			\$ 2,810,204		\$ 2,700,648

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
AUTOMATED METER REPLACEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

Exhibit E-3

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment income			\$ 1,062	\$ 1,062	\$ 1,062
Total revenues	\$ 0	\$ 0	\$ 1,062	\$ 1,062	\$ 1,062
Expenditures -					
Automated Meter Replacement Sysytem					
Professional services	\$ 462,722		\$ 7,000	\$ 7,000	\$ 455,722
Engineering services	336,437				336,437
Capital outlay - other improvements	10,401,873		3,493,036	3,493,036	6,908,837
Contingencies	442,420				442,420
Total expenditures	\$ 11,643,452	\$ 0	\$ 3,500,036	\$ 3,500,036	\$ 8,143,416
Revenues over (under) expenditures	\$ (11,643,452)	\$ 0	\$ (3,498,974)	\$ (3,498,974)	\$ 8,144,478
Other financing sources:					
Proceeds of debt	\$ 11,643,452		\$ 11,643,452	\$ 11,643,452	\$ 0
Total other financing sources	\$ 11,643,452	\$ 0	\$ 11,643,452	\$ 11,643,452	\$ 0
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 8,144,478	\$ 8,144,478	\$ 8,144,478

INTERNAL SERVICE FUNDS

Internal service funds are specifically designed for goods or services that are provided on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges.

CITY OF HENDERSONVILLE, NORTH CAROLINA
INTERNAL SERVICE FUND - HEALTH AND WELFARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

Exhibit F-1

	2012				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2011 Actual
	Original	Final	Actual		
Revenues:					
Charges for services:			\$ 170,566	170,566	
Total	\$ 0	\$ 0	\$ 170,566	\$ 170,566	\$ 0
Investment earnings			137	137	
Total revenues	\$ 0	\$ 0	\$ 170,703	\$ 170,703	\$ 0
Expenditures:					
Employee benefits:		\$ 337,360	\$ 170,566	\$ 166,794	
Total expenditures	\$ 0	\$ 337,360	\$ 170,566	\$ 166,794	\$ 0
Revenues over (under) expenditures	\$ 0	\$ (337,360)	\$ 137	\$ 337,497	\$ 0
Other financing sources					
Transfer from General Fund		\$ 183,760	81,640	(102,120)	
Transfer from Water and Sewer Fund		144,180	84,284	(59,896)	
Transfer from Environmental Service Fund		9,420	\$ 871	(8,549)	
Total other financing sources	\$ 0	\$ 337,360	\$ 166,795	\$ (170,565)	\$ 0
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 166,932	\$ 166,932	\$ 0
Fund balances:					
Beginning of year, July 1			0		
End of year, June 30			\$ 166,932		\$ 0

Note: this fund was established in the current year, to administer the payment of employee health claims
Funding amounts were budgeted as transfers, instead of charges for service

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2012 AND JUNE 30, 2011

Exhibit G-1

	June 30, 2012	June 30, 2011
Governmental Capital Assets:		
Land	\$ 2,862,946	\$ 2,822,699
Buildings	7,945,700	7,952,460
Improvements other than buildings	3,844,785	3,852,136
Machinery, vehicles and equipment	5,144,308	4,984,686
Infrastructure	13,979,500	12,146,687
Totals	<u>\$ 33,777,239</u>	<u>\$ 31,758,668</u>

Investment in Governmental Capital Assets by source:

General Fund	\$ 27,272,633	\$ 27,154,265
Special Revenue Funds	2,508,579	2,481,435
Capital Projects Funds	3,379,427	1,506,368
Donations	616,600	616,600
Totals	<u>\$ 33,777,239</u>	<u>\$ 31,758,668</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2012

Exhibit G-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				184,080		184,080
Central services		294,385	\$ 50,380	69,990		414,755
Public buildings				123,418		123,418
Total general government	\$ 58,041	\$ 2,779,227	\$ 50,380	\$ 429,382	\$ 0	\$ 3,317,030
Public safety:						
Police		\$ 2,136,747		\$ 1,500,409		\$ 3,637,156
Fire	\$ 685,000	1,295,871		1,653,655		3,634,526
Zoning				37,195		37,195
Total public safety	\$ 685,000	\$ 3,432,618	\$ 0	\$ 3,191,259	\$ 0	\$ 7,308,877
Transportation:						
Administration	\$ 62,392	\$ 1,109,500	\$ 127,102	\$ 55,316		\$ 1,354,310
Streets and highways	804,504	83,783	594,315	1,080,028	\$ 13,979,500	16,542,130
Traffic engineering				73,829		73,829
Total transportation	\$ 866,896	\$ 1,193,283	\$ 721,417	\$ 1,209,173	\$ 13,979,500	\$ 17,970,269
Park maintenance, drainage and lot clearing	\$ 1,253,009	\$ 540,572	\$ 3,072,988	\$ 314,494	\$ 0	5,181,063
Totals	\$ 2,862,946	\$ 7,945,700	\$ 3,844,785	\$ 5,144,308	\$ 13,979,500	\$ 33,777,239

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, 2012

Exhibit G-3

Function and Activity	Governmental Funds Capital Assets July 1, 2011	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2012
General government:					
Administration	\$ 1,260,836		\$		\$ 1,260,836
Finance	1,282,047				1,282,047
City engineer	51,894				51,894
Information technology	182,163	\$ 19,312	17,395		184,080
Central services	422,155		7,400		414,755
Public buildings	123,418				123,418
Total general government	\$ 3,322,513	\$ 19,312	\$ 24,795	\$ 0	\$ 3,317,030
Public safety:					
Police	\$ 3,620,860	\$ 147,044	\$ 130,748		\$ 3,637,156
Fire	3,773,720		139,194		3,634,526
Zoning	37,195				37,195
Total public safety	\$ 7,431,775	\$ 147,044	\$ 269,942	\$ 0	\$ 7,308,877
Transportation:					
Administration	\$ 1,354,310				\$ 1,354,310
Streets and highways	2,280,747	310,203	\$	\$ (28,317)	2,562,633
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	362,878	\$ 370,374			733,252
Sidewalk systems	2,588,563	1,092,063			3,680,626
Street systems	5,275,510	370,374			5,645,884
Traffic engineering	73,829				73,829
Total transportation	\$ 15,855,572	\$ 2,143,014	\$ 0	\$ (28,317)	\$ 17,970,269
Park maintenance, drainage and lot clearing	\$ 5,148,808	\$ 39,050	\$ 35,112	\$ 28,317	\$ 5,181,063
Totals	\$ 31,758,668	\$ 2,348,420	\$ 329,849	\$ 0	\$ 33,777,239

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, 2012

Exhibit H-1

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and investments	<u>\$ 1,959</u>	<u>\$ 8,130</u>	<u>\$ 8,094</u>	<u>\$ 1,995</u>
LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 1,959</u>	<u>\$ 8,130</u>	<u>\$ 8,094</u>	<u>\$ 1,995</u>

SCHEDULES SECTION

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

Exhibit I-1

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012		\$ 6,716,389	\$ 6,526,647	\$ 189,742
2010-2011	\$ 209,544		163,752	45,792
2009-2010	59,818		37,427	22,391
2008-2009	42,969		17,476	25,493
2007-2008	29,807		4,589	25,218
2006-2007	20,498		5,484	15,014
2005-2006	12,216		2,668	9,548
2004-2005	8,301		774	7,527
2003-2004	5,839		1,190	4,649
2002-2003	9,739		739	9,000
2001-2002	5,924		5,924	0
	<u>\$ 404,655</u>	<u>\$ 6,716,389</u>	<u>\$ 6,766,670</u>	<u>\$ 354,374</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>146,198</u>
Ad valorem taxes receivable, net				<u>\$ 208,176</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 6,776,715
Reconciling items:				
Refunds				46,368
Interest collected				(62,240)
Releases				199
Taxes written off after 10 years				<u>5,628</u>
Total collections and credits				<u>\$ 6,766,670</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit I-2

Original Levy:	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 1,636,627,500	\$ 0.41	\$ 6,710,173	\$ 6,393,382	\$ 316,791
Penalties			6,216	6,216	
Net levy	<u>\$ 1,636,627,500</u>		\$ 6,716,389	\$ 6,399,598	\$ 316,791
Uncollected taxes at June 30, 2012			<u>189,742</u>	<u>165,596</u>	<u>24,146</u>
Current year's taxes collected			<u>\$ 6,526,647</u>	<u>\$ 6,234,002</u>	<u>\$ 292,645</u>
Current levy collection percentage			<u>97.17%</u>	<u>97.41%</u>	<u>92.38%</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, 2012

Exhibit I-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,418,515,629
Personal Property	195,766,568
Public Service Companies (2)	<u>22,345,303</u>
Total Assessed Valuation	<u>\$ 1,636,627,500</u>
Tax Rate per \$100	<u>\$ 0.41</u>
Levy (includes discoveries, releases, abatements) (3)	<u>\$ 6,716,389</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, 2012

Exhibit I-2b

<u>TAXPAYER</u>	<u>'TYPE OF BUSINESS</u>	<u>ASSESSED VALUE</u>	<u>% of TOTAL ASSESSED VALUE</u>
Ingles Markets, Inc.	Grocery Chain	\$ 34,981,434	2.14%
Wal-Mart Stores, Inc.	Retail Sales	27,733,100	1.69%
Highland Investors, LLC	Nursing Homes	15,958,000	0.98%
Boyd L. Hyder	Entrepreneur	14,643,600	0.89%
Triangle Real Estate	Real Estate Sales	11,835,500	0.72%
Henderson Crossing Shopping Center	Retail Sales	11,588,400	0.71%
Blue Ridge Mall, LTD.	Retail Sales	11,516,971	0.70%
Home Depot	Home Improvement	11,240,970	0.69%
Morris Broadband, LLC	Cable TV, Internet	10,982,369	0.67%
Lake Pointe Real Estate Investors	Nursing Homes	10,329,200	0.63%
	Total	<u>\$ 160,809,544</u>	<u>9.83%</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, 2012

Exhibit I-3

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012		\$ 232,343	\$ 222,511	\$ 9,832
2010-2011	\$ 9,430		4,346	5,084
2009-2010	3,423		1,874	1,549
2008-2009	2,362		1,661	701
2007-2008	1,561		602	959
2006-2007	952		179	773
2005-2006	255		9	246
2004-2005	396			396
2003-2004	33			33
2002-2003	341			341
2001-2002	132		132	0
	<u>\$ 18,885</u>	<u>\$ 232,343</u>	<u>\$ 231,314</u>	<u>\$ 19,914</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>5,050</u>
Ad valorem taxes receivable - net				<u>\$ 14,864</u>
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 232,687
Reconciling items:				
Interest collected				(1,524)
Releases				1,060
Taxes written off after 10 years				<u>120</u>
Total collections and credits				<u>\$ 232,343</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit I-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	\$ 82,826,429	\$ 0.28	\$ 231,914	\$ 228,967	\$ 2,947
Penalties			429	429	
Net levy	<u>\$ 82,826,429</u>		\$ 232,343	\$ 229,396	\$ 2,947
Uncollected taxes at June 30, 2012			<u>9,832</u>	<u>9,685</u>	<u>147</u>
Current year's taxes collected			<u>\$ 222,511</u>	<u>\$ 219,711</u>	<u>\$ 2,800</u>
Current levy collection percentage			<u>95.77%</u>	<u>95.78%</u>	<u>95.01%</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, 2012

Exhibit I-5

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012		\$ 12,083	\$ 11,165	\$ 918
2010-2011	\$ 140		18	122
2009-2010	199		47	152
2008-2009	332		44	288
2007-2008	146		37	109
2006-2007	248		76	172
2005-2006	10			10
2004-2005	26			26
2003-2004	123			123
2002-2003	21			21
2001-2002	98		98	0
	<u>\$ 1,343</u>	<u>\$ 12,083</u>	<u>\$ 11,485</u>	<u>\$ 1,941</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>221</u>
Ad valorem taxes receivable - net				<u>\$ 1,720</u>
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 11,471
Reconciling items:				
Interest collected				(101)
Releases				17
Taxes written off after 10 years				<u>98</u>
Total collections and credits				<u>\$ 11,485</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit I-6

	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 10,050,833	\$ 0.12	\$ 12,061	\$ 11,544	\$ 517
Penalties			22	22	
Net levy	<u>\$ 10,050,833</u>		\$ 12,083	\$ 11,566	\$ 517
Uncollected taxes at June 30, 2012			<u>918</u>	<u>904</u>	<u>14</u>
Current year's taxes collected			<u>\$ 11,165</u>	<u>\$ 10,662</u>	<u>\$ 503</u>
Current levy collection percentage			<u>92.40%</u>	<u>92.18%</u>	<u>97.29%</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, 2012

Exhibit I-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 1,605,231	\$ 668,818
Enterprise Funds:		
Environmental Service Fund		285,270
Water & Sewer Fund		100,880
Governmental Funds:		
Capital Reserve Fund	303,840	1,100,266
Downtown Tax District Fund	100,000	
Fire Department Grant Fund	264,978	
Health & Welfare Self-Insurance Fund		81,640
Rails-to-Trails Grant Fund		13,785
Seventh Avenue Tax District Fund		23,390
Downtown Tax District Fund	100,000	
General Fund		100,000
Capital Reserve Fund	1,232,221	1,100,266
General Fund	1,100,266	303,840
Main Street Infrastructure Improvements Capital Project Fund		928,381
Water & Sewer Fund	84,284	
Health & Welfare Self-Insurance Fund		84,284
Environmental Service Fund	871	
Health & Welfare Self-Insurance Fund		871
Health & Welfare Self-Insurance Fund		166,795
General Fund	81,640	
Water & Sewer Fund	84,284	
Environmental Service Fund	871	
	<u>\$ 4,958,486</u>	<u>\$ 4,958,486</u>
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 80,000	
Law enforcement services	40,000	
General Fund		<u>\$ 120,000</u>
Total - component units	<u>\$ 120,000</u>	<u>\$ 120,000</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 These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	99
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	105
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	109
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	113
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	115

Sources: Unless other wise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 7,993,362	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066	\$ 13,737,365	\$ 16,738,488	\$ 16,829,139	\$ 17,530,422
Restricted	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	3,047,565	2,957,773
Unrestricted	5,145,924	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504	11,249,729	8,059,282	5,212,143	4,376,180
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>\$ 25,088,847</u>	<u>\$ 24,864,375</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 29,584,921	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938	\$ 43,280,673	\$ 48,628,499	\$ 50,127,849	\$ 51,057,598
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	16,970,755	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335	22,481,842	20,179,419	21,453,888	23,526,746
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>\$ 71,581,737</u>	<u>\$ 74,584,344</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 37,578,283	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004	\$ 57,018,038	\$ 65,366,987	\$ 66,956,988	\$ 68,588,020
Restricted	4,991,768	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	3,047,565	2,957,773
Unrestricted	22,116,679	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839	33,731,571	28,238,701	26,666,031	27,902,926
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>\$ 96,670,584</u>	<u>\$ 99,448,719</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 2,301,254
Public Safety	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	6,910,168
Environmental Protection	422,214	8,300	5,000	5,000	-	-	-	-	-	-
Economic and Physical Development	135,462	221,752	192,117	180,915	365,940	239,525	342,472	453,538	262,751	405,416
Transportation	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	2,116,715
Parks and Drainage	-	373,535	251,391	488,727	464,033	515,024	799,405	223,094	642,849	589,902
Cultural and Recreation	53,781	107,953	429,747	133,574	161,687	220,864	197,333	588,305	200,772	237,833
Interest on Long-Term Obligations	118,693	206,646	230,441	215,476	211,358	186,416	232,634	229,642	215,749	197,996
Total Governmental Activities Expenses	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	12,759,284
Business-Type Activities:										
Water and Sewer Fund	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	11,291,143
Environmental Services Fund	748,061	775,301	867,522	989,812	948,235	965,119	1,016,654	1,011,039	1,014,552	1,064,379
Total Business-Type Activities Expenses	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	12,355,522
Total Primary Government Expenses	\$ 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	\$ 25,114,806
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 177,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	41,808	190,437	142,305	161,804	133,358	159,579	154,633	153,171	163,982	156,625
Transportation	48,028	56,448	43,707	59,204	73,357	70,791	72,426	69,058	73,432	83,540
Parks and Drainage	-	41,960	18,850	21,030	21,350	23,450	17,850	15,000	11,850	23,500
Cultural and Recreational	27,735	-	49,818	84,178	101,780	119,147	145,221	154,555	164,349	160,737
Other Activities	6,680	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	788,801	638,783	673,487	509,555	410,529	497,857	511,908	627,018	823,010	925,970
Capital Grants and Contributions	282,806	32,029	1,653,745	726,529	162,159	178,328	214,998	400,000	75,000	390,000
Total Governmental Activities Program Revenues	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	1,740,372
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	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	14,031,234
Other Activities	338,918	323,079	347,044	507,746	530,470	543,892	671,189	695,814	837,913	868,123
Operating Grants and Contributions	1,132,700	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	2,894,789	140,452	648,545	660,761	-	-	292,577	216,558	285,014	122,019
Total Business-Type Activities Program Revenues	13,116,995	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349	13,004,101	13,805,101	14,509,438	15,021,376
Total Primary Government Program Revenues	\$ 14,490,000	\$ 11,597,872	\$ 15,049,325	\$ 15,317,032	\$ 14,545,543	\$ 14,439,501	\$ 14,121,137	\$ 15,223,903	\$ 15,821,061	\$ 16,761,748

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (11,018,912)
Business-Type Activities	4,356,678	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935	744,431	2,515,863	2,710,721	2,665,854
Total Primary Government Net (Expense)/Revenue	\$ (2,281,255)	\$ (8,506,900)	\$ (3,643,591)	\$ (3,364,214)	\$ (5,556,195)	\$ (7,720,096)	\$ (9,729,254)	\$ (7,841,532)	\$ (7,864,249)	\$ (8,353,058)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	\$ 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	\$ 7,020,873
Sales & Use Tax	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	2,257,061
Other Taxes	85,549	79,741	76,151	79,707	76,478	80,352	88,077	158,441	88,077	546,179
Unrestricted Intergovernmental Revenue	740,955	847,401	874,925	912,419	981,492	1,157,165	1,321,124	1,283,006	1,703,333	1,277,026
Restricted Intergovernmental Revenue	983,607	785,731	2,390,042	1,320,271	658,093	699,273	744,405	1,113,434	975,848	1,393,807
Permits and Fees	73,840	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573	21,893
Sales and Services	88,293	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706	269,352
Investment Earnings	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430	15,046
Miscellaneous	139,265	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301	135,760
Total Governmental Activities	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	12,936,997
Business-Type activities:										
Investment Earnings	466,087	119,052	295,222	511,490	699,364	867,850	451,425	31,163	22,068	18,426
Transfers	-	100,880	100,880	100,880	875,880	100,880	100,880	100,880	100,880	100,880
FEMA Settlement	-	-	66,312	-	-	-	-	-	-	-
Sale of Fixed Assets	-	-	821,550	4,150	100	-	-	-	-	-
Miscellaneous	65,290	53,475	19,427	16,220	5,678	4,680	29,639	9,884	12,455	17,332
Total Business-Type Activities	531,377	273,407	1,303,391	632,740	1,581,022	973,410	581,944	141,927	135,403	136,638
Total Primary Government	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	13,073,635
Change in Net Assets:										
Governmental Activities	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	1,918,085
Business-Type Activities	4,888,055	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345	1,326,375	2,657,790	2,846,124	2,802,492
Total Primary Government	\$ 6,967,405	\$ 1,248,998	\$ 9,474,832	\$ 8,977,656	\$ 7,792,106	\$ 5,744,059	\$ 2,745,461	\$ 4,329,319	\$ 4,623,898	\$ 4,720,577

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Restricted for Stabilization by State Statute	\$ 860,691	\$ 895,837	\$ 1,333,552	\$ 1,049,970	\$ 819,243	\$ 848,265	\$ 737,031	\$ 756,414	\$ 922,385	\$ 1,288,518
Restricted for Law Enforcement	\$ 37,616	43,487	78,547	81,371	86,815	115,110	70,951	78,158	106,326	114,910
Restricted for Streets	340,511	618,825	448,609	319,781	56,300	202,518	277,209	171,898	221,653	262,335
Assigned - Subsequent Year's Expenditures	592,850	365,790	880,450	784,600	916,940	867,860	1,009,920	929,690	929,710	881,240
Unassigned	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	5,822,117
Total General Fund	\$ 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	\$ 8,369,120
All Non-Major Funds										
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	-	\$ 1,000	\$ 253,900
Restricted for Economic Development	-	-	-	-	59,272	358,502	230,703	83,380	57,964	66,650
Restricted for Recreation	-	-	-	-	-	-	-	-	3,005	-
Restricted for Transportation	337,364	281,985	278,462	273,319	269,116	207,018	2,022,107	1,766,967	1,735,232	971,460
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	-	57,900	57,000
Unassigned	\$ -	-	-	-	-	-	-	-	(95,431)	(278,172)
Total All Non-Major Funds	\$ 337,364	\$ 281,985	\$ 278,462	\$ 273,319	\$ 328,388	\$ 565,520	\$ 2,252,810	\$ 1,850,347	\$ 1,759,670	\$ 1,070,838
Total All Governmental Funds	\$ 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	\$ 9,439,958

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

GASB #44 Statistical Schedules Template - City12

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes by Source:										
Property Tax	\$ 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	\$ 7,020,873
Sales Tax	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	2,257,061
Other Taxes	85,549	79,741	76,151	79,707	76,478	80,352	88,077	158,441	487,152	546,179
Unrestricted Intergovernmental	740,955	847,401	874,925	912,419	981,492	1,157,165	1,149,114	1,179,906	1,201,158	1,277,026
Restricted Intergovernmental	983,607	785,731	2,390,042	1,320,271	658,093	699,273	744,405	1,113,434	975,848	1,393,807
Permits and Fees	73,840	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573	21,893
Sales and Services	88,293	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706	269,352
Investment Earnings	151,381	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430	15,046
Miscellaneous	139,265	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301	135,760
Total Revenues	\$ 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	\$ 12,936,997
Expenditures										
Current:										
General Government	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	2,153,295
Public Safety	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	6,322,638
Transportation	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	3,752,372
Park Maintenance & Drainage	433,062	383,006	490,495	567,525	469,048	1,083,802	649,406	527,228	557,500	495,238
Economic & Physical Development	135,462	230,052	197,117	300,194	365,940	901,266	390,748	453,538	262,751	405,416
Cultural and Recreation	53,781	107,953	429,747	133,574	161,687	259,368	903,431	588,305	200,772	237,833
Capital Outlay -- See Capital Asset										
Expenditures on Next Page										
Debt Service:										
Principal	243,940	359,283	471,026	475,296	323,333	323,333	323,333	373,333	373,333	423,333
Interest and Fees	120,648	180,429	234,207	218,542	214,108	189,739	207,856	232,928	219,650	200,890
Total Expenditures	\$ 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	\$ 13,991,015
Excess of Revenues Over (Under) Expenditures	\$ (221,462)	\$ (1,094,473)	\$ (1,514,826)	\$ 1,400,976	\$ 1,287,374	\$ (42,452)	\$ (279,334)	\$ (723,302)	\$ 434,397	\$ (1,054,018)

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100,000	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) Other Funds:										
Enterprise Fund: Environmental Services Fund	(465,000)	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)	(292,058)	(387,600)	(249,790)	(285,270)
Water and Sewer Fund	(780,260)	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	529,050	-	-	-	-	-	-	-
Health & Welfare Fund	-	-	-	-	-	-	-	-	-	(81,640)
Capital Projects Fund - City Hall Renovation	-	-	(328,200)	243,651	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	1,190,000	516,417	1,341,600	542,630	1,527,160	865,000	552,760	870,899	313,360	303,840
Capital Reserve Fund - General Fund Contribution	(1,034,447)	-	(742,675)	-	(743,516)	(870,323)	-	-	(245,472)	(1,100,266)
Capital Projects Fund - Wash Creek Project	-	-	-	-	-	-	(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	100,000
Downtown Tax District	-	-	-	-	-	-	-	-	(27,350)	-
Downtown Tax District - Main Street Project	-	-	-	-	-	(494,805)	(110,677)	-	(66,412)	-
Seventh Avenue Tax District - General Fund Contribution	-	-	-	(5,300)	-	-	(64,500)	(52,800)	(24,690)	(23,390)
Rails-to-Trails Project Grant Fund	-	-	-	-	-	-	-	-	-	(16,785)
Britton Creek Stormwater Master Plan Project	-	-	-	-	-	-	-	-	(5,556)	-
Operating Transfers: Law Enforcement	20,000	-	-	-	-	-	-	-	-	-
Profit Distribution	81,500	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	(542,558)	(686,800)	877,128	(293,201)	(918,099)	-	-
Total Other Financing Sources (Uses)	(988,207)	(98,303)	50,185	(475,837)	(1,191,696)	(641,670)	1,707,063	(488,480)	(306,790)	(1,204,391)
Net Change in Fund Balances	(1,209,669)	(1,192,776)	(1,464,641)	925,139	95,678	(684,122)	1,427,729	(1,211,782)	127,607	(2,258,409)
Capital Asset Expenditures	1,287,849	2,791,190	4,654,349	\$ 1,264,009	\$ 1,361,822	\$ 2,534,977	\$ 1,563,982	\$ 2,021,203	\$ 1,176,152	\$ 1,973,053
Debt Service as a Percentage of Noncapital Expenditures	4.8%	6.9%	8.1%	7.7%	5.9%	5.1%	5.0%	5.6%	5.5%	5.2%

Note: Operating Transfers from ABC Board were reclassified to Restricted and Unrestricted Intergovernmental Revenue in FY 2004.

CITY OF HENDERSONVILLE, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property	Motor Vehicles	Other					
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%
2012	548,283,910	883,974,413	76,152,188	141,959,683	13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2007. Tax rates are per \$100 of assessed value.
Beginning in fiscal year 2001, Henderson County decreased the vehicle tax assessment rate.

GASB #44 Statistical Schedules Template - City12

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Rates:										
General Fund Rate	\$ 0.450	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.410
Downtown Tax District	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.280
Seventh Avenue District	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.120
Total Direct Rate	\$ 0.850	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.810
County Rates:										
Henderson County	0.500	0.475	0.475	0.515	0.565	0.462	0.462	0.462	0.462	0.5136
Town of Fletcher	0.270	0.250	0.270	0.270	0.270	0.270	0.270	0.270	0.320	0.3250
Town of Laurel Park	0.310	0.300	0.310	0.310	0.335	0.270	0.270	0.270	0.310	0.3600
Town of Saluda	0.500	0.500	0.500	0.500	0.540	0.605	0.605	0.515	0.515	0.6250
Town of Mills River	-	0.070	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.0874
Village of Flat Rock	-	-	-	0.085	0.085	0.075	0.075	0.075	0.075	0.0840
Fire (14) District Rates:										
From Lowest	0.065	0.060	0.065	0.065	0.065	0.060	0.060	0.060	0.060	0.0650
To Highest	0.120	0.120	0.115	0.115	0.115	0.115	0.115	0.115	0.115	0.1250
Special Purpose District Rates:										
Downtown Tax District	0.300	0.300	0.300	0.300	0.300	0.250	0.250	0.250	0.250	0.2800
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.100	0.080	0.080	0.080	0.080	0.1200

Source:

Henderson County Tax Assessors Office

GASB #44 Statistical Schedules Template - City12

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2012

UNAUDITED

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 34,981,434	1	2.14%	\$ 17,126,000	2	1.72%
Boyd L. Hyder	14,643,600	4	0.89%	9,096,363	10	0.91%
Wal-Mart, Inc.	27,733,100	2	1.69%	21,107,700	1	2.12%
Highland Investors, LLC	15,958,000	3	0.98%	-		
Lowe's of Hendersonville	-			9,737,900	7	0.98%
First Citizens Bank	-			9,227,500	9	0.93%
Home Depot	11,240,970	8	0.69%	10,188,000	6	1.02%
Blue Ridge Mall, LTD	11,516,971	7	0.70%	13,966,090	3	1.40%
Henderson Crossing Shopping Center	11,588,400	6	0.71%	-		
Triangle Real Estate, Inc.	11,835,500	5	0.72%	9,489,100	8	0.95%
Morris Broadband, LLC	10,982,369	9	0.67%	-		
Lake Point Landing	10,329,200	10	0.63%	-		
Duke Energy	-			-		
BellSouth	-			10,977,485	5	1.10%
HCRINC Properties	-			12,877,400	4	1.29%
Carolina Village Inc.	-			-		
Totals	<u>\$ 160,809,544</u>		<u>9.83%</u>	<u>\$ 123,793,538</u>		<u>12.44%</u>

Source: Henderson County Tax Assessor's Office.

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CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2012	\$ 6,381,455	\$ 334,934	\$ 6,716,389	\$ 6,526,647	97.17%	\$ 145,059	6,671,706	99.33%

Source: Carland & Andersen, Inc. Annual Audits.

(1) Excludes Motor Vehicle Valuation.

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CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
2003	\$ 1,350,000	\$ -	\$ 441,727	\$ 2,240,000	\$ -	\$ 15,624,173	\$ 19,655,900	736.3%	\$ 1,705
2004	1,260,000	-	3,682,989	1,940,000	-	14,602,260	21,485,249	749.2%	1,839
2005	1,170,000	-	3,301,962	1,645,000	-	13,453,812	19,570,774	634.9%	1,617
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306	17,644,973	532.7%	1,442
2007	990,000	-	2,683,333	1,070,000	-	11,120,362	15,863,695	441.4%	1,269
2008	900,000	-	2,450,000	790,000	-	19,791,377	23,931,377	625.1%	1,877
2009	2,910,000	-	2,216,667	520,000	-	18,154,326	23,800,993	649.2%	1,831
2010	2,770,000	-	1,983,334	255,000	-	16,505,815	21,514,149	565.4%	1,638
2011	2,630,000	-	1,750,000	-	-	14,822,447	19,202,447	495.6%	1,462
2012	\$ 2,440,000	\$ -	\$ 1,516,667	\$ -	\$ -	\$ 25,289,495	\$ 29,246,162	*	\$ 2,203

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.

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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
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%	200
2012	\$ 2,440,000	-	\$ 2,440,000	0.15%	\$ 184

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.

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CITY OF HENDERSONVILLE, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2012

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	113,282,260	12.31%	13,945,046
Subtotal, Overlapping Debt			13,945,046
City of Hendersonville Direct			3,956,667
Total Direct and Overlapping Debt			<u>\$ 17,901,713</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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	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	\$ 130,930,200
Total Net Debt Applicable to Debt Limit	18,670,282	20,623,408	18,967,255	18,003,776	15,518,820	23,741,378	23,293,992	21,412,148	19,012,447	29,246,161
Legal Debt Margin	<u>61,293,287</u>	<u>72,081,253</u>	<u>75,467,950</u>	<u>81,395,164</u>	<u>89,637,340</u>	<u>112,226,070</u>	<u>\$ 114,636,024</u>	<u>\$ 117,604,262</u>	<u>\$ 121,439,721</u>	<u>\$ 101,684,039</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>23.3%</u>	<u>22.2%</u>	<u>20.1%</u>	<u>18.1%</u>	<u>14.8%</u>	<u>17.5%</u>	<u>16.9%</u>	<u>15.4%</u>	<u>13.5%</u>	<u>22.3%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,636,627,501
Debt Limit (8% of Total Assessed Value)	130,930,200
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	26,806,161
Total Bonded Debt	2,440,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>29,246,161</u>
Legal Debt Margin	<u>\$ 101,684,039</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) City Population	(2) County Population	(3) Personal Income (000's)	(4) Per Capita Personal Income	(5) School Enrollment	(6) County Unemployment Rate	(7) State Unemployment Rate	(8) U.S. Unemployment Rate
2003	11,530	94,246	2,669,644	28,326	11,574	3.8%	6.7%	6.2%
2004	11,682	95,797	2,867,627	29,934	11,918	3.1%	5.4%	5.7%
2005	12,106	97,584	3,082,738	31,591	12,292	4.5%	5.3%	5.0%
2006	12,237	100,056	3,312,203	33,103	12,578	3.4%	4.6%	4.8%
2007	12,499	102,270	3,593,713	35,139	13,134	3.9%	4.9%	4.5%
2008	12,747	104,289	3,828,266	36,708	13,322	4.7%	6.2%	5.7%
2009	12,997	105,813	3,666,462	34,650	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,805,442	35,577	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,874,611	36,164	13,491	7.3%	9.9%	9.2%
2012	13,278	108,448	*	*	13,508	7.3%	9.4%	8.2%

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 2011 and not available for 2012
- (5) Henderson County Public Schools
- (6) Employment Security Commission
- (7) Employment Security Commission
- (8) Employment Security Commission

* Information not yet available.

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CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2012			2003		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,852	1	14.82%	1,450	1	11.53%
Pardee Hospital	1,253	2	10.02%	1,080	3	9.44%
Park Ridge Hospital	1,125	3	9.00%	500	9	4.72%
Wilsonart International	680	6	5.44%	750	4	7.86%
General Electric Lighting	395	10	3.16%	1,100	2	11.53%
Arvin-Meritor	550	8	4.40%	650	6	5.77%
Steelcase, Incorporated	680	7	5.56%	680	5	7.13%
Wal-Mart	450	9	3.60%	-		
Ingles	750	4	6.00%	-		
Henderson County Government	720	5	5.76%	550	7	5.77%
Eaton Corporation	375			435	10	4.56%
Continental Tevis	318			-		
Kyocera Engineering	500			-		
Kimberly-Clark Corporation	265			500	8	5.24%
Totals	9,913		67.76%	7,695		73.55%

Source: Hendersonville Chamber of Commerce

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CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
General Government:										
Administration	4	4	3	3	3	3	3	3	3	3
Finance	4	4	12	12	12	12	12	12	12	12
Support Services	8	10	10	10	10	10	11	11	11	12
Public Safety:										
Police	45	45	45	45	50	50	50	50	50	50
Fire	17	17	17	17	17	17	20	20	20	27
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	3	3	3	3	3	3	3	3
Streets & Highways	7	7	7	7	7	9	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	29	29	29	31	31	31	31	31
Business-Type Activities										
Water and Sewer Fund	78	74	66	66	67	67	68	68	68	68
Environmental Services Fund	10	10	10	10	10	10	10	10	10	12
Total	196	194	192	192	198	200	205	205	205	215

Source: Annual Departmental Budgets

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

GASB #44 Statistical Schedules Template - City12

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued:										
Residential	348	141	244	235	163	92	106	103	95	125
Commercial	95	101	111	99	80	50	76	226	252	147
Public Safety - Police										
Physical Arrests	1,690	1,979	2,173	2,177	2,736	2,735	2,175	2,120	1,667	1,539
Traffic Violations	2,233	2,861	2,628	2,685	3,631	3,624	3,815	2,997	2,720	2,482
Parking Violations	3,799	3,854	2,353	2,313	2,353	2,358	2,317	1,865	1,980	1,806
Public Safety - Fire										
Number of Fire Calls Answered	1,377	1,478	1,629	1,617	1,703	1,899	1,871	1,842	1,779	2,111
Inspections Conducted	205	509	601	620	548	534	1,066	1,997	883	502
Water										
Number of Service Connections	21,196	21,832	23,105	23,650	24,300	25,301	25,471	25,645	25,618	25,552
Average Daily Production in Gallons	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	6,295,637
Sewer										
Number of Service Connections	6,647	6,846	7,608	7,700	8,000	8,051	8,118	8,173	8,146	8,274
Average Daily Treatment in Gallons	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	2,343,393
Solid Waste										
Refuse Collected (Tons per Year)	4,693	4,745	4,774	4,605	4,501	4,324	4,152	3,885	3,550	3,325
Recycling Collections (Tons per Year)	594	563	603	708	1,354	1,021	1,083	2,195	1,040	645
Scrap Metal (Tons per Year)	-	-	-	-	-	-	-	17	13	1
Cable TV Subscribers										
City	2,167	2,019	2,024	3,639	3,336	3,338	3,215	3,062	2,779	2,693
County	15,483	14,283	13,669	11,639	10,405	10,411	10,026	9,548	8,666	8,400
Flat Rock	1,619	1,590	1,575	1,288	1,186	1,187	1,143	1,088	988	958
Fletcher	2,200	2,001	1,799	1,409	1,260	1,261	1,214	1,156	1,049	1,017
Laurel Park	898	895	898	881	806	806	776	739	671	650
Mills River	-	-	670	1,046	953	953	918	874	794	769
Total Subscribers	22,367	20,788	20,635	19,902	17,946	17,956	17,292	16,467	14,947	14,487

Sources: Various City of Hendersonville Departments

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

GASB #44 Statistical Schedules Template - City12

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Hendersonville										
Public Facilities/Buildings	4	4	3	3	3	3	3	3	3	4
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	34	34	38	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)	59.10	59.10	60.51	62.95	65.04	65.03	65.04	65.36	65.36	65.67
Street Lights	1,469	1,471	1,575	1,580	1,587	1,587	1,617	1,622	1,617	1,617
Parks and Recreation										
Parks Acreage	99	99	99	99	99	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	7	12	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)	556	564	567	569	571	575	578	581	640	620
Fire Hydrants	2,024	2,062	2,120	2,135	2,140	2,233	2,359	2,446	2,539	2,552
Sewer										
Sanitary Sewers (Miles)	135	148	153	154	154	160	165	167	175	176
Storm Sewers (Miles)	27	27	27	27	27	27	27	27	31	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.

GASB #44 Statistical Schedules Template - City12

COMPLIANCE SECTION

SINGLE AUDIT 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
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, 2012, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated December 4, 2012. 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 December 4, 2012.

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.

Cauley & Andersen, Inc.

December 4, 2012



CARLAND & ANDERSEN, INC.

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

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

Compliance

We have audited the City of Hendersonville, North Carolina compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hendersonville's major federal programs for the year ended June 30, 2012. The City of Hendersonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Hendersonville's management. Our responsibility is to express an opinion on the City of Hendersonville's compliance based on our audit.

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

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

December 4, 2012

Carroll & Anderson, Inc.



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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, 2012. The City of Hendersonville's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Hendersonville's management. Our responsibility is to express 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, 2012.

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.

December 4, 2012

Carroll & Anderson, Inc.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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 federal programs.
- E. An unqualified opinion was issued on the City of Hendersonville's compliance with the types of compliance requirements applicable to its major State program.
- F. Our audit disclosed no audit findings which relate to 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, 2012

- G The Major federal programs for the City of Hendersonville for the fiscal year ended June 30, 2012 are:

Program Name	<u>CFDA #</u>
FEMA-Staffing for Adequate Fire and Emergency Response	97.083
ARRA State Energy Program-Alternative Fuel and Advanced Vehicle Technology	81.041
ARRA Edward Byrne Memorial Justice Assistance Grants to Unites of Local Government	16.738

- H. The threshold for determining Type A programs for the City of Hendersonville is \$300,000.

- I. The City of Hendersonville qualified as a low risk auditee under Section .530 of Circular A-133.

- J The Major State program for the City of Hendersonville for the fiscal year ended June 30, 2012 is:

Program Name

Powell Bill Program

- K. The threshold for determining Type A programs for the City of Hendersonville is \$300,000.

- L. 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, 2012

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, 2012.

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

The City of Hendersonville had no findings or questioned costs related to the audit of Federal and State awards for the fiscal year ended June 30, 2012.

:

**CITY OF HENDERSONVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit J-2

Grantor/Pass-through Grantor/Program Title	Federal C F D A Number	State/Local Passthrough Grantor's No.	Fed'l (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditure
Federal Grants:					
Cash Programs:					
U. S. Department of Energy Conservation Research and Development Passthrough Triangle J Council of Governments Compressed Natural Gas for Public Vehicles	81.086		\$ 208,406		
Passthrough North Carolina State Energy Office ARRA State Energy Program - Alternative Fuel and Advanced Vehicle Technology Charging Station for Electric Vehicles	81.041	30733	2,670		
U. S. Department of Homeland Security Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response Hiring Program for Additional Firemen	97.083		322,341		
U. S. Department of Housing and Urban Renewal Passthrough N.C. Department of Commerce Community Development Block Grant Oak Haven Community Development Block Grant	14.228	10-C-2218	140,000		
U. S. Department of Justice ARRA Edward Byrne Memorial Justice Assistance Grants (JAG) to Units of Local Government WCEPP Program WCEPP Program	16.738		1,362		
U. S. Department of Interior National Park Service Historic Preservation Fund Grants-in-Aid Passthrough N.C. Department of Cultural Resources State Historical Preservation Office Grey Hosiery Mill Engineered Structural Analysis	15.904	11812-3899	6,500	\$ 5,500	
U. S. Department of Transportation Passthrough N.C. Dept of Transportation Governor's Highway Safety Program Bike Safely Hendersonville Program	20.600	52012.3.2	28,415		
Passthrough French Broad River Metro Planning Org. Highway Planning and Construction Rails to Trails Project	20.205-4	11-063	44,020		40,785
U. S. Environmental Protection Agency Passthrough N. C. Dept of Environment and Natural Resources State and Tribal Assistance Grants (Brightwater Subdivision Waterline Capital Project)	66.202	XP-96492108	17,769		
Total Cash Assistance - Federal Programs			\$ 771,483		\$ 46,285

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit J-2

Grantor/Pass-through Grantor/Program Title	Federal C F D A Number	State/Local Passthrough Grantor's No.	Fed'l (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Noncash Programs:					
U. S. Environmental Protection Agency Passthrough N. C. Dept of Environment and Natural Resources Capitalization Grants for Drinking Water- State Revolving loan Funds (Brightwater Subdivision Waterline Capital Project)	66.468	XP-96492108	79,633		
Total Assistance - Federal Programs			\$ 851,116		\$ 46,285
State Grants:					
Cash Programs:					
N. C. Department of Transportation: Powell Bill Program		32570		\$ 324,985	
Small Construction Agreement Sidewalk Improvement NC Hwy 191		5201168858		250,000	
Total Cash Assistance - State Programs				\$ 574,985	
Total Assistance - All Programs			\$ 851,116	\$ 574,985	\$ 46,285

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

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

Loans outstanding

The City of Hendersonville had the following loan balance outstanding at June 30, 2012.

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, except for the \$79,633 shown above. At June 30, 2012, repayment terms for the funds had been finalized, and are reported as long-term debt.

Program Title	Federal C F D A Number	State/ Passthrough Grantor's No.	Amount Outstanding
Capitalization Grants for State Revolving Loan Funds	66.468	XP-96492108	\$ 543,192