

# City of Hendersonville

## North Carolina



### **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2024

Prepared by:  
Finance Department

Submitted by:  
Krystal Powell, CLGFO  
Interim Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2024**

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## INTRODUCTORY SECTION

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**CITY COUNCIL:**

BARBARA G. VOLK  
Mayor  
LYNDSEY SIMPSON  
Mayor Pro Tem  
DR. JENNIFER HENSLEY  
MELINDA P. LOWRANCE  
JEFFERY L. MILLER

**CITY OF HENDERSONVILLE***The City of Four Seasons***OFFICERS:**

JOHN F. CONNET  
City Manager  
ANGELA S. BEEKER  
City Attorney  
JILL MURRAY  
City Clerk

December 12, 2024

**Honorable Mayor, Members of City Council, City Manager and Citizens of the City of Hendersonville, North Carolina,**

It is our pleasure to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. 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.

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 Gould Killian CPA Group, 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, 2024 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 that there was a reasonable basis for rendering an unmodified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2024 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 independent auditor's report.

**Profile of the Government**

The City of Hendersonville is the county seat of Henderson County North Carolina and was incorporated January 7, 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. 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 the largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. Downtown Hendersonville was registered in the National Register of Historic Places in March of 1988 for its historical significance and its efforts in restoring historic homes. It is also the stage for the North Carolina Apple Festival. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2024 population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 16,830.

The City encompasses an area of 7.4 square miles and is located on a mountain plateau 2,200 feet above sea level. 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.

Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 56 inches, average high summer temperature of 83 degrees, average high winter temperature of 49 degrees and average snowfall of 9 inches, Hendersonville is known as the "*City of Four Seasons*." This moniker was given to the City more than 50 years ago by a local weatherman, the late Kermit Edney.

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 authorized by the *Machinery Act of North Carolina* to levy a property tax on both real and personal property located within its legal boundaries. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and a stormwater program are provided by the City. The City also provides water and sewer service, both inside and outside the City limits.

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Hendersonville's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer budget resources within a department as they find necessary. Transfers between departments may be approved by the City Manager, however transfers between funds need special approval from the governing council.

### **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. The City and county as whole continue to see interest from manufacturing and industrial companies in moving operations to the area or expanding existing facilities. The area continues to see increased activity in housing developments. The continued business and residential growth provide a positive outlook for both ad valorem and sales tax revenues.

### ***Local Economy***

The City continues to have a strong and growing economy with a solid residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, agriculture, healthcare, summer camps, community college system, and industries located within the County. Henderson County has a strong and diversified industrial employment environment, including headquarters and office locations, production and assembly operations as well as logistics and distribution facilities. It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments.

Hendersonville remains a North Carolina Main Street Community, designated by the NC Department of Commerce and Main Street & Rural Planning Center. As a Main Street America™ Accredited program, the City has met a set of National Accreditation Standards of Performance as outlined by the National Main Street Center and is a recognized leading program among the national network.

Economic vitality remains a focus area for the City Council, and they continue to promote policies that encourage growth in all areas of our City, establishing Hendersonville as a good place for all types of business. A key component to continued economic growth is The Henderson County Partnership for Economic Development (The Partnership). The Partnership is a non-profit organization that serves as the professional economic development entity for the County and the five municipalities located within it, managing existing industry,

marketing, product development and advocacy programs while positively impacting the employment and investment in the local economy.

Henderson County has a labor force of approximately 56,000. Unemployment in Henderson County was 3.4 % in June 2024, up 0.4% from the year prior. North Carolina is a right-to-work state and is the number two least unionized state in the nation.

### ***Long-term Financial Planning***

The City of Hendersonville prepares a ten-year Capital Improvement Plan (CIP) to function as a planning tool for capital improvements and major capital equipment purchases. The CIP represents a multi-year forecast of the capital needs but only the current year schedule is adopted annually by the City Council and becomes part of the operating budget. The CIP not only identifies capital projects but also the financing required for the projects and their impact on the operating budget. Capital projects differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years. Future forecast in the CIP serves the City by helping plan for capital repairs, replacements, and acquisitions, which aides in financial planning to ensure the City's fiscal health and credit. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs.

### ***Relevant Financial Policies***

The Hendersonville City Council supports fiscal policies and controls that ensure the long-term financial health of the City and enable it to respond to unforeseen challenges and opportunities. The City has implemented policies and practices to promote responsible management of public resources to ensure efficient and effective delivery of quality services.

The City Council has adopted an Investment and Cash Management Policy to provide parameters within which the City's funds should be managed to provide for sound, efficient and professional investments to achieve primary objectives, in order of importance, of safety of principal, liquidity for operations and return on investment. The policy follows best practices of the Government Finance Officers Association and incorporates the NC State Statue G.S. 159-30 Investment of Idle Funds.

The City of Hendersonville's budget process, as with other municipalities, is regulated by North Carolina General Statute 159, Article 3-The Local Government Budget and Fiscal Control Act. This comprehensive set of financial policies dictates what a municipality can and cannot do during the course of the budgeting period which typically runs from July 1 to June 30 of the following year.

The City follows the purchasing procedures as required by NC state statutes and Federal Uniform Guidance when required. The City has additionally adopted a Purchasing Policy which through competitive pricing, planning and efficient procurement, strives to secure the lowest, most responsible cost for the City in order to provide our citizens and customers with the quality services that they expect.

The City established an Available Fund Balance policy with a goal that available fund balance for the General Fund be at a minimum of 25% of the City's expenditure group as determined by the Local Government Commission. The City is classified by the LGC as a municipality with General Fund expenditures above \$10,000,000. The City will adjust these goals as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook.

The City of Hendersonville recognizes the importance of protecting the City, its taxpayers, its employees, and its assets against financial risks, operational breaches and unethical activities. Therefore, City Council adopted a Fraud and Whistleblower Policy to establish guidelines to enforce controls to aid in the prevention and detection of fraud and for responding to allegations of embezzlement, theft, misappropriations of public funds or property, and other types of fraud related to the business of the City of Hendersonville.

### ***Governmental Initiatives and Projects***

Sound infrastructure is one of the top priorities of the City. A major goal for the City of Hendersonville is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as City Council again committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance. The Clear Creek Greenway Project has started, and the City is pursuing a greenway project entitled "Above the Mud" that could connect the Ecusta Trail to the Oklawaha Greenway and 7th Avenue. The Ecusta Trail is a 19.4 mile greenway along an unused rail corridor that runs from Hendersonville to Brevard.

During the fiscal year the work was continued on streetscape improvements of the Historic Seventh Avenue District. This project is nearing completion and is an investment in pedestrian, water, sewer and stormwater infrastructure, lighting and landscaping in the

business district. It aims to improve walkability, improve connections to the Main Street Municipal Service District, and highlight the character of the historic district.

The City's construction of a new fire station was substantially complete at year-end. Following a space study and building assessment, it was determined that Fire Station One was no longer adequate for the growing Hendersonville Fire Department. Following demolition of the old fire station, the new fire station was constructed in its space. The new fire station is nearly double in size at approximately 19,750 square feet. The station includes a one-story portion to house three companies and their Battalion Chiefs along with corresponding living quarters, kitchen, restroom and shower facilities. Apparatus bays with attached turnout gear storage and decon areas will allow access to both Main Street and Church Street. A two-story portion of the building will house the administrative offices, life safety division, and training room for the Fire Department.

Construction on the new mini golf facility at Edwards Park was completed this fiscal year. Mini golf is the primary feature of the new Edwards Park. In addition to the mini golf, a new concession stand, pavilion, and playground have been added. The City exchanged property with the Henderson County School Board to build the new mini golf facility and park.

### ***Water & Sewer Initiatives and Projects***

The City of Hendersonville provides high quality water services to approximately 78,000 people and wastewater services to approximately 21,000 while protecting natural resources and ensuring capacity for sustainable growth. The system also operates and maintains over 653 miles of water mains (ranging in size from 2-inches to 24-inches), 60 water pumping stations, 32 water storage tanks (ranging in size from 80,000-gallons to 5,000,000-gallons), over 200 miles of sewer mains (ranging in size from 3-inches to 42-inches) and 31 sewer pumping stations.

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2024, including the following:

French Broad River Raw Water Intake construction is nearing completion. The City has determined that Mills River tends to be more drought sensitive than the larger French Broad River. The purpose of this project is to design, permit, and construct a new raw water intake and pump station along the French Broad River to increase the redundancy, resiliency, and reliability of source water for the Water Treatment Plant during drought conditions and other water supply needs, and eliminate water scarcity concerns currently experienced during drought conditions. This new intake will have an initial firm pumping capacity of 12 MGD with expansion to 21 MGD. The new pump station will discharge into the existing 30-inch raw water line which extends from the intake site to the Water Treatment Plant.

The Etowah Water System Improvement project was completed this fiscal year. This project included the installation of approximately 14,800-ft. of 12 and 8-inch water mains, a 500,000-gallon ground level water storage tank, construction of a booster pumping station and access road. It also included demolition of an existing elevated water storage tank and three existing booster pumping stations. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd.

The City of Hendersonville's existing water and sewer infrastructure in the Ashe Street Neighborhood and 4th Ave area is aging and in need of replacement. City forces spend significant resources maintaining this aging infrastructure. This area of downtown Hendersonville is ripe with commercial and residential revitalization with existing water and sewer infrastructure installed in the 1920s. To stimulate the revitalization of these districts, the City of Hendersonville has planned future streetscape/roadway projects. Through a variety of construction methods, this project will replace or rehabilitate existing water and sewer infrastructure.

The Wastewater Treatment Ultraviolet (UV) Disinfection Improvements project consists of the replacement of aging UV disinfection equipment nearing the end of its useful life at the City's Wastewater Treatment Facility (WWTF). UV disinfection is the final stage of the treatment process where wastewater is disinfected before being discharged into Mud Creek. The project will consist of an additional concrete disinfection channel and new UV equipment to provide redundancy and additional capacity within this stage of the treatment process. In addition, the newer UV equipment is much more energy-efficient, saving the City an estimated \$70,000 per year through reduced electrical costs at the WWTF.

The Wastewater Treatment Biosolids Thermal Dryer will produce a high-quality, nutrient-rich biosolid product produced from the wastewater treatment process that will be beneficially re-used as a fertilizer or soil amendment. The project will reduce current operational costs for treatment solids disposal and reduce the City's vulnerability from relying on private haulers and landfill for disposal of treatment solids. In addition, the project includes a rooftop photovoltaic solar energy stem that will generally offset the new equipment's electrical demands by 70%-100%.

### ***Stormwater Initiatives and Projects***

The City of Hendersonville is a federally designated National Pollutant Discharge Elimination System (NPDES) Phase II community and operates under the authority of the Stormwater Management Program which became effective in August of 2007 after being drafted into the city's Code of Ordinances and operates as a division of the Engineering Department. NPDES Phase II is a federal and state mandated program under the Clean Water Act to address non-point source pollution or stormwater runoff. The City's NPDES Permit consists of six management areas that reduce stormwater pollution and assures clean water is maintained in our city's water bodies:

- Public Outreach and Education
- Public Involvement
- Illicit Discharge Detection and Elimination
- Construction Site Runoff Control
- Post-Construction Runoff Control
- Pollution Prevention and Good Housekeeping

The Lower Mud Creek Project began planning and design. The project will provide stream restoration, along Mud Creek, 8.5 acres of wetland restoration, and an additional 9.2 acres of riparian floodplain restoration to provide ecological enhancement and stormwater treatment and implementation of complimentary flood reduction activities and additional land acquisition to further improve climate resiliency and stormwater management in the flood prone and impaired Mud Creek and Johnson Ditch watersheds. The project will be funded by federal and state grants.

### **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, 2023. This was the 34th 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 Annual Comprehensive Financial Report could not have been possible without the combined effort of Gould Killian CPA Group and the staff of the Hendersonville Finance and City Administration Departments. Credit must also be given to the Mayor, City Council, City Manager and Assistant City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,



Krystal Powell, CLGFO  
Interim Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF**  
**YEAR ENDED JUNE 30, 2024**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Lyndsey Simpson

Jeffery L. Miller

Dr. Jennifer Hensley

Melinda P. Lowrance

CITY STAFF

City Manager – John F. Connet

Assistant City Manager – Brian Pahle

City Clerk – Jill Murray

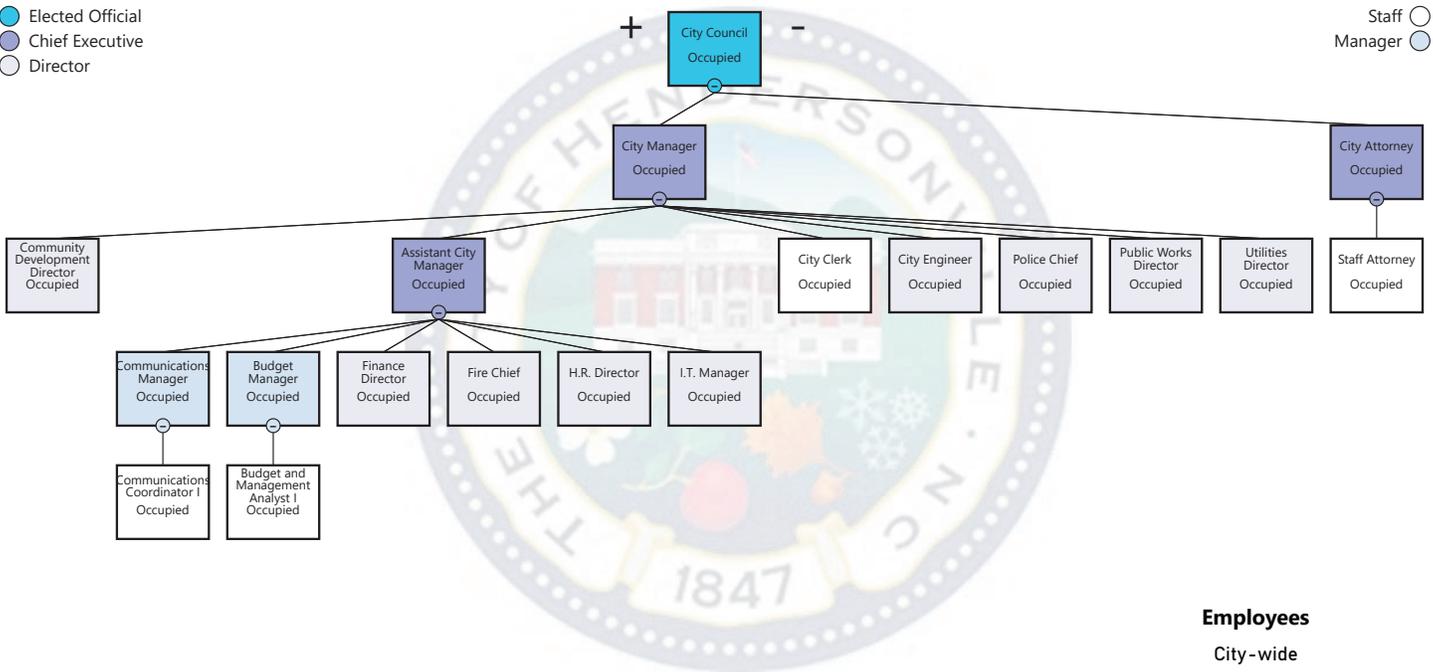
City Attorney – Angela S. Beeker

Finance Director – John P. Buchanan, CPA, CLGFO

# Administration

- Elected Official
- Chief Executive
- Director

- Staff
- Manager



## Employees

City-wide

328.0



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hendersonville  
North Carolina**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

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## **Independent Auditors' Report**

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

### ***Opinions***

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 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the general fund and fire department fund budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hendersonville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Governmental Employees' Retirement System's schedules of the City's Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Other Postemployment Benefits Schedule of the City's Proportionate Share of the Net OPEB Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of the City of Hendersonville's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hendersonville's internal control over financial reporting and compliance.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 12, 2024

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

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As management of the City of Hendersonville (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2024 (“2024”, “FY24” or “FY 2024”) compared to the year ended June 30, 2023 (“2023”, “FY23” or “FY 2023”) The intent of this management’s discussion and analysis (“MD&A”) is to look at the City’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the City’s discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding of the City’s overall financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$128,615,320 (total net position for the Primary Government).
- The City’s total net position for FY 2024 increased by \$13,129,873 over the prior year balance primarily due to increase in service revenue, increase of grants received, and first full year of parking garage and kiosks revenue.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$18,100,368, a decrease of \$18,558,119 from the prior year. The decrease is largely attributed to the construction of the Fire Station, Edwards Park, 7<sup>th</sup> Avenue Streetscape project, and City Hall and Operations Renovation.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$3,678,011 which is 14% of total General Fund expenditures and transfers out for the fiscal year.
- The City’s total debt, excluding compensated absences, pension, and other post-employment benefits, increased by \$2,040,488 in FY24. The increase included installment financing for Vehicle and Equipment loan and increase in State Revolving Loan funds for the French Broad River Intake project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

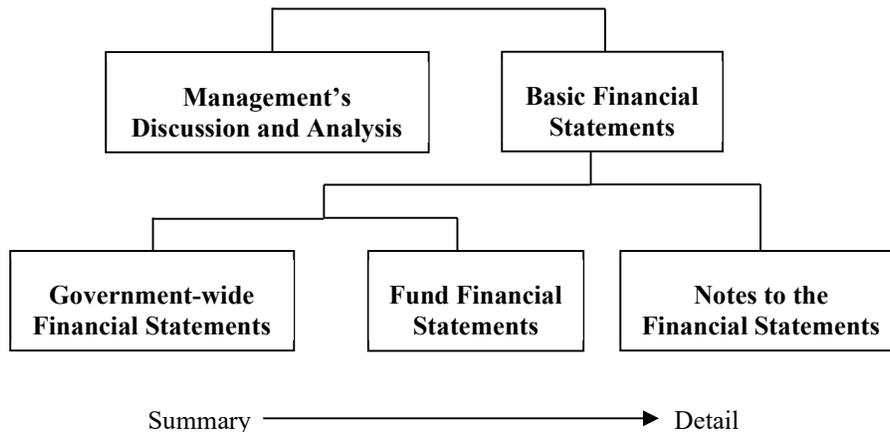
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

**Financial Statements**

This MD&A is intended to serve as an introduction to the City’s financial statements. The City’s 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 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.

**Required Components of Annual Financial Report**

**Figure 1**



# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

The first two statements 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 set of statements are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statement, 3) the proprietary fund statements, and 4) the fiduciary 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, **required supplementary information** and **supplementary information** are provided to show details about the City's retirement plans, other postemployment benefit plans, and 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's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City'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 program revenues and general revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, environmental service, and stormwater activities offered by the City. The final category is the component unit. Although legally separate from the City, the Hendersonville ABC Board ("ABC Board") is important to the City because the City exercises control over the ABC 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.

#### Fund Financial Statements

The fund financial statements 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City 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 fund 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 Position** and the **Statement of Activities**) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Fund Financial Statements (Continued)**

The City 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 Council; 2) the final budget as amended by the Council; 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 any differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities would be shown at the end of the budgetary statement.

**Proprietary Funds** – The City 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. The City uses enterprise funds to account for its water and sewer activity, its environmental service operations, its stormwater operations, and its parking services. These funds are the same as those functions shown in the business-type activities in the *Statement of Net Position and the Statement of Activities*.

The City uses another type of proprietary fund known as an internal service fund. **Internal Service Funds** are an accounting device used to accumulate and allocate costs internally to the City'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. 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 used for proprietary funds. The City uses one fiduciary fund type which is a custodial fund. The fund is used to record the sewer and stormwater billing provided to other entities.

**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* can be found as listed in the table of contents 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 and other postemployment benefits to its employees. Required Supplementary Information ("RSI") is mandated by the Governmental Accounting Standards Board ("GASB") and can be found as listed in the table of contents of this report.

**Interdependence with Other Entities** – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury securities.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City’s Net Position  
Figure 2

|   | Governmental         |                      | Business-Type        |                      | Total                 |                       |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
|   | Activities           |                      | Activities           |                      |                       |                       |
|   | 2024                 | 2023                 | 2024                 | 2023                 | 2024                  | 2023                  |
| Current and other assets                    | \$ 22,482,174        | \$ 39,219,017        | \$ 22,899,928        | \$ 26,714,572        | \$ 45,382,102         | \$ 65,933,589         |
| Capital assets, net                         | 63,318,451           | 45,353,897           | 157,269,668          | 135,003,875          | 220,588,119           | 180,357,772           |
| <b>Total assets</b>                         | <u>85,800,625</u>    | <u>84,572,914</u>    | <u>180,169,596</u>   | <u>161,718,447</u>   | <u>265,970,221</u>    | <u>246,291,361</u>    |
| <b>Total deferred outflows of resources</b> | <u>6,615,964</u>     | <u>6,162,984</u>     | <u>4,630,674</u>     | <u>4,283,420</u>     | <u>11,246,638</u>     | <u>10,446,404</u>     |
| Long-term liabilities outstanding           | 54,781,796           | 54,937,802           | 80,556,330           | 75,651,090           | 135,338,126           | 130,588,892           |
| Other liabilities                           | 4,433,215            | 2,525,553            | 6,342,002            | 6,304,812            | 10,775,217            | 8,830,365             |
| <b>Total liabilities</b>                    | <u>59,215,011</u>    | <u>57,463,355</u>    | <u>86,898,332</u>    | <u>81,955,902</u>    | <u>146,113,343</u>    | <u>139,419,257</u>    |
| <b>Total deferred inflows of resources</b>  | <u>1,132,192</u>     | <u>772,385</u>       | <u>1,356,004</u>     | <u>1,060,676</u>     | <u>2,488,196</u>      | <u>1,833,061</u>      |
| <b>Net Position:</b>                        |                      |                      |                      |                      |                       |                       |
| Net investment in capital assets            | 28,976,948           | 24,328,314           | 85,732,280           | 71,668,399           | 114,709,228           | 95,996,713            |
| Restricted                                  | 7,676,645            | 7,783,564            | -                    | -                    | 7,676,645             | 7,783,564             |
| Unrestricted                                | (4,584,207)          | 388,280              | 10,813,654           | 11,316,890           | 6,229,447             | 11,705,170            |
| <b>Total net position</b>                   | <u>\$ 32,069,386</u> | <u>\$ 32,500,158</u> | <u>\$ 96,545,934</u> | <u>\$ 82,985,289</u> | <u>\$ 128,615,320</u> | <u>\$ 115,485,447</u> |

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by \$128,615,320 as of June 30, 2024. The City’s net position increased by \$13,129,873 for the fiscal year ended June 30, 2024. The largest portion of net position of \$114,709,228 (90%) reflects the City’s investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and vehicles); 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 net 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 position of \$7,676,645 (6%) represents resources that are subject to external restrictions on how they may be used. The unrestricted balance of \$6,229,447 (4%) is low in comparison to total net position due to unfunded pension and OPEB liabilities where a liability exists with no related asset.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City’s Changes in Net Position  
Figure 3

|  | Governmental Activities |                      | Business-Type Activities |                      | Total                |                       |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|-----------------------|
|  | 2024                    | 2023                 | 2024                     | 2023                 | 2024                 | 2023                  |
| <b>Revenues:</b>   |                         |                      |                          |                      |                      |                       |
| Program revenues:  |                         |                      |                          |                      |                      |                       |
| Charges for services   | \$ 1,246,621            | \$ 626,935           | \$ 29,010,391            | \$ 25,627,736        | \$ 30,257,012        | \$ 26,254,671         |
| Operating grants and contributions                               | 1,840,703               | 6,821,829            | -                        | 19,573               | 1,840,703            | 6,841,402             |
| Capital grants and contributions                                 | 5,202,895               | 242,832              | 7,952,568                | 5,614,713            | 13,155,463           | 5,857,545             |
| General revenues:  |                         |                      |                          |                      |                      |                       |
| Property taxes   | 15,262,782              | 12,571,874           | -                        | -                    | 15,262,782           | 12,571,874            |
| Local option sales tax   | 6,247,325               | 7,752,404            | -                        | -                    | 6,247,325            | 7,752,404             |
| Grants and contributions,<br>not restricted to specific programs | 15,000                  | -                    | -                        | -                    | 15,000               | -                     |
| Other  | 3,701,703               | 722,144              | 704,960                  | 403,683              | 4,406,663            | 1,125,827             |
| <b>Total revenues</b>  | <u>33,517,029</u>       | <u>28,738,018</u>    | <u>37,667,919</u>        | <u>31,665,705</u>    | <u>71,184,948</u>    | <u>60,403,723</u>     |
| <b>Expenses:</b>   |                         |                      |                          |                      |                      |                       |
| General government   | 6,480,307               | 6,371,382            | -                        | -                    | 6,480,307            | 6,371,382             |
| Public safety  | 15,556,293              | 14,208,697           | -                        | -                    | 15,556,293           | 14,208,697            |
| Public works   | 3,468,027               | 3,395,730            | -                        | -                    | 3,468,027            | 3,395,730             |
| Economic and physical<br>development                             | 1,031,391               | 816,721              | -                        | -                    | 1,031,391            | 816,721               |
| Cultural and recreational  | 1,106,846               | 932,353              | -                        | -                    | 1,106,846            | 932,353               |
| Interest and fees  | 1,109,165               | 883,110              | -                        | -                    | 1,109,165            | 883,110               |
| Water and sewer  | -                       | -                    | 25,357,856               | 23,608,570           | 25,357,856           | 23,608,570            |
| Parking services   | -                       | -                    | 1,083,015                | 612,881              | 1,083,015            | 612,881               |
| Environmental services   | -                       | -                    | 1,785,510                | 1,667,333            | 1,785,510            | 1,667,333             |
| Stormwater   | -                       | -                    | 1,076,665                | 948,011              | 1,076,665            | 948,011               |
| <b>Total expenses</b>  | <u>28,752,029</u>       | <u>26,607,993</u>    | <u>29,303,046</u>        | <u>26,836,795</u>    | <u>58,055,075</u>    | <u>53,444,788</u>     |
| Change in net position before<br>special item and transfers      |                         |                      |                          |                      |                      |                       |
|  | 4,765,000               | 2,130,025            | 8,364,873                | 4,828,910            | 13,129,873           | 6,958,935             |
| Transfers  | (5,195,772)             | 3,765,747            | 5,195,772                | (3,765,747)          | -                    | -                     |
| Change in net position   | (430,772)               | 5,895,772            | 13,560,645               | 1,063,163            | 13,129,873           | 6,958,935             |
| Net position, beginning  | <u>32,500,158</u>       | <u>26,604,386</u>    | <u>82,985,289</u>        | <u>81,922,126</u>    | <u>115,485,447</u>   | <u>108,526,512</u>    |
| Net position, ending   | <u>\$ 32,069,386</u>    | <u>\$ 32,500,158</u> | <u>\$ 96,545,934</u>     | <u>\$ 82,985,289</u> | <u>\$128,615,320</u> | <u>\$ 115,485,447</u> |

**Governmental Activities:** Governmental activities decreased the City’s net position by \$430,772 over the prior year. The key element of this decrease is transfer out of grant funds.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Business-type Activities:** Business-type activities increased the City's net position by \$13,560,645, primarily due to increases of water and sewer rates and donated assets. It is also attributed by an increase of grant revenue and transfer in of grant funds for WWTP UV Improvements and Aeration Basin Wall Repair project . The City is committed to maintain rates sufficient to meet the covenants required for revenue bonds that have been issued.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

The focus of the City'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.

#### General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance available in the General Fund was \$6,159,237, while total fund balance reached \$11,072,165. The Governing Body has determined that the City should maintain an available fund balance for the General Fund to be at a minimum of 25% of the City's expenditure group as determined by the Local Government Commission. The City is classified by the LGC as a municipality with General Fund expenditures above \$10,000,000. The City will adjust these goals as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook. The City's General Fund fund balance available for appropriation as a percentage of expenditures is 23.35%, and total fund balance is 41.97%.

At June 30, 2024 the governmental funds of the City reported a combined total governmental fund balance of \$18,100,368, a decrease of \$18,558,119 over last year. The decrease was primarily due to construction of the Fire Station, Edwards Park, 7<sup>th</sup> Avenue Streetscape project, and renovation of City Hall. Capital Outlay increased by \$14,428,332 over FY23.

The General Fund recorded operating revenues of \$25,341,526 during FY 2024, which was an increase of \$3,760,472, or 17.4% over the \$21,581,054 recorded in FY 2023, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$2,890,472 or 24% over FY2023 mainly due to growth.
- Local Option Sales Tax Revenue increased over the prior fiscal year by approximately \$343,282 or 6%. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. Increases in sales tax were driven by a strong local economy and growth.
- Fire inspection/permit fees that were collected were \$72,850 more than in FY2023.

Expenditures in the General Fund, not including transfers, were \$25,955,787 for fiscal year 2024, which was an increase of approximately \$2,041,293, or 8.5% over the \$23,914,493 recorded in fiscal year 2023, primarily due to increases in personnel costs. The increase in personnel costs include the addition of six new positions along with a COLA of 3%. There was also an increase in salaries in Fire Department because grant that covered portion of salaries ended in fiscal year 2023. Another noteworthy increase was in total debt service costs which increased approximately \$1,683,440.

#### General Fund Budgetary Highlights:

During the fiscal year, the City revised the budget on several occasions. In general, 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. The budget was revised several times throughout the year for reasons including to account for increased revenue projections at mid-year and adjust expenditures due to increased inflationary pressure.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures, excluding transfers, ended the year at \$25,955,787, which was \$3,048,439 or 10.5% below the \$29,004,226 revised expenditures budget for the fiscal year 2024. Open positions contributed to the variance in salaries and benefits. There were also contracted services that were budgeted for that were not complete.

The Governmental Capital Projects Fund, a major fund, includes expenditures for Fire Station 1, Edwards Park, City Hall Renovation, and Seventh Avenue Streetscape. Edwards Park was complete in FY24 with the City Hall renovations and Fire Department substantially complete.

The Grants Fund, a major fund, includes expenditures for state, federal, and local grants. These grants include the SLFRF – American Rescue Plan, Community Development Block Grant (CDBG), North Carolina Department of Environment and Natural Resources (NCDENR), and Governor's Crime Commission (GCC).

**Non-Major Governmental Funds**

Non-Major Governmental Funds consist of Special Revenue Funds that are funded by specific revenue sources, including the City's two Municipal Service Districts (Main Street and Seventh Avenue). Revenues for FY24 in the non-major governmental funds increased by approximately \$266,600 and expenditures increased by approximately \$310,500 over the prior year. There was a total fund balance increase of \$174,069.

**Proprietary Funds**

The City's proprietary fund statements provide additional detail by fund for the information combined in the government-wide statements.

**Water & Sewer Fund**

The Water & Sewer Fund recorded approximately \$24,909,000 in operating revenues for fiscal year 2024. This was a \$2,396,165 or a 10.7% increase over fiscal year 2023. The primary reason for this increase is an increase in the rates for water and sewer, growth of the system.

The Water & Sewer Fund recorded approximately \$24,419,533 in operating expenditures for fiscal year 2024. This was approximately \$1,543,196 or 7% greater than fiscal year 2023. The primary reason for the increase is due to the addition of 7 new positions. Inflation was another significant factor. Total net position ended the year at \$94,964,816, an increase of \$12,755,424 with \$12,191,586 unrestricted.

**Parking Services Fund**

The City completed construction of a downtown parking deck and began charging for on-street parking in March of fiscal year 2023. Fiscal year 2024 was the first full year of revenue collected. Since it was the first full year there was an increase in revenue of \$538,364 or 95% increase. This also caused operating expenditures to increase by \$481,799. The total net position of the Parking Services Fund at year-end was \$379,349 with (\$562,959) unrestricted.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds (Continued)**

**Non-major Enterprise Funds**

Total net position increased in the non-major enterprise funds by \$780,201 or 185% at June 30, 2024 compared to the prior year. The primary reason for this increase is the capital contributions of \$625,772 which includes grant revenue received and donated assets. Combined operating revenues increased approximately \$447,500 or 17.5%. The operating expenditures increased by \$225,896 or about 8.7%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City’s capital and right-to-use assets for its governmental and business–type activities as of June 30, 2024, totaled \$220,588,119 (net of accumulated depreciation). This was an increase of \$40,230,347 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

Major capital asset transactions during the year include the following additions:

- Etowah Water System Improvements (complete)
- Edwards Park and Laura E. Corn Mini-Golf (complete)
- Northside (complete)
- Fire Station One
- French Broad River Raw Water Intake Construction
- 7<sup>th</sup> Avenue Streetscape Project
- City Hall and Operations Center Renovation
- Fire Ladder Truck Replacement
- Fire Engine

**City’s Net Capital Assets  
Figure 4**

|                         | Governmental Activities |                      | Business-Type Activities |                       | Total                 |                       |
|-------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                         | 2024                    | 2023                 | 2024                     | 2023                  | 2024                  | 2023                  |
| Land                    | \$ 4,779,095            | \$ 5,114,207         | \$ 7,545,531             | \$ 5,601,616          | \$ 12,324,626         | \$ 10,715,823         |
| Construction in process | 20,799,584              | 6,381,213            | 37,799,566               | 33,937,959            | 58,599,150            | 40,319,172            |
| Buildings               | 21,094,403              | 19,490,118           | 11,571,998               | 11,562,062            | 32,666,401            | 31,052,180            |
| Other improvements      | 3,263,014               | 1,045,839            | 553,845                  | 153,162               | 3,816,859             | 1,199,001             |
| Machinery and equipment | 4,847,488               | 4,487,624            | 4,785,874                | 4,812,022             | 9,633,362             | 9,299,646             |
| Software                | -                       | -                    | 14,400                   | 22,235                | 14,400                | 22,235                |
| Infrastructure          | 8,285,136               | 8,469,636            | 94,635,276               | 78,434,772            | 102,920,412           | 86,904,408            |
| Lease assets            | 146,713                 | 163,476              | 52,170                   | 61,335                | 198,883               | 224,811               |
| Subscription assets     | 103,018                 | 201,784              | 311,008                  | 418,712               | 414,026               | 620,496               |
| <b>Total</b>            | <b>\$ 63,318,451</b>    | <b>\$ 45,353,897</b> | <b>\$ 157,269,668</b>    | <b>\$ 135,003,875</b> | <b>\$ 220,588,119</b> | <b>\$ 180,357,772</b> |

The chart above reflects the City’s capital assets and right-to-use assets net of accumulated depreciation and amortization.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

Capital asset purchases are part of the City’s Ten-Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on the City’s capital assets can be found in the Notes to the Financial Statements.

**Long-Term Debt**

As of June 30, 2024, the City had total bonded debt outstanding of \$35,228,000 (net of unamortized premiums). Of this total bonded debt, \$387,000 is backed by the full faith and credit of the City. The revenue bonds are secured by specified revenue sources, and the remainder of the City’s debt represents loans secured solely by lien on the particular assets financed.

**City’s Outstanding Debt  
Figure 5**

|                                  | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>         |                      |
|----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                  | <u>2024</u>                    | <u>2023</u>          | <u>2024</u>                     | <u>2023</u>          | <u>2024</u>          | <u>2023</u>          |
| General obligation bonds         | \$ 387,000                     | \$ 539,000           | \$ -                            | \$ -                 | \$ 387,000           | \$ 539,000           |
| Limited obligation bonds         | 2,890,000                      | 3,115,000            | 10,195,000                      | 10,590,000           | 13,085,000           | 13,705,000           |
| Premium on bonds                 | 446,316                        | 520,655              | 1,360,899                       | 1,520,391            | 1,807,215            | 2,041,046            |
| Revenue bonds                    | -                              | -                    | 21,756,000                      | 23,551,000           | 21,756,000           | 23,551,000           |
| State revolving loans            | -                              | -                    | 32,731,351                      | 26,463,673           | 32,731,351           | 26,463,673           |
| Direct borrowing                 |                                |                      |                                 |                      |                      |                      |
| installment purchases            | 36,533,987                     | 37,617,673           | 5,080,761                       | 5,021,014            | 41,614,748           | 42,638,687           |
| Financed purchases               | 138,808                        | 276,833              | 33,437                          | 59,520               | 172,245              | 336,353              |
| Lease liabilities                | 134,334                        | 163,731              | 53,605                          | 62,233               | 187,939              | 225,964              |
| Subscription liabilities         | 98,014                         | 191,259              | 326,335                         | 433,377              | 424,349              | 624,636              |
| Compensated absences             | 1,552,802                      | 1,259,381            | 936,073                         | 763,166              | 2,488,875            | 2,022,547            |
| Total OPEB liability             | 1,694,166                      | 2,241,819            | 1,240,979                       | 1,642,136            | 2,935,145            | 3,883,955            |
| Net pension liability (LGERS)    | 9,337,849                      | 7,567,257            | 6,841,890                       | 5,544,580            | 16,179,739           | 13,111,837           |
| Total pension liability (LEOSSA) | 1,568,520                      | 1,445,194            | -                               | -                    | 1,568,520            | 1,445,194            |
|                                  | <u>\$ 54,781,796</u>           | <u>\$ 54,937,802</u> | <u>\$ 80,556,330</u>            | <u>\$ 75,651,090</u> | <u>\$135,338,126</u> | <u>\$130,588,892</u> |

- Total debt increased by \$2,040,488 during fiscal year 2024. The increase included installment financing for Vehicle and Equipment loan and increase in State Revolving Loan funds for the French Broad River Intake project.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City is approximately \$155,000,000.

Additional information regarding the City’s long-term debt can be found in the Notes to the Financial Statements.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

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### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

#### Economic Factors

The following key economic indicators reflect the prosperity of the City:

- Henderson County's unemployment rate was 3.4% as of June 30, 2024. This was up 0.40% over FY23.
- The certified population estimate for the City of Hendersonville as of July 1, 2024 was 16,830.
- The Jabil industrial complex added over \$100 million in personal property value to the City's tax value.
- There are over 1,000 multi-family and single-family developments under construction within the City.
- A new luxury condominium complex, the Fairmont, near downtown Hendersonville continues to make progress and is expected to provide a hotel, conference center, and luxury condominiums. The estimated tax value on the property is expected to surpass \$60 million.

#### Budget Highlights for the Fiscal Year Ending June 30, 2025

The City continues to build and revise its strategic plan. This process includes the development of vision and mission statements along with setting priorities focusing on six main areas, including economic vitality, strong partnerships, sound infrastructure, numerous amenities, great public services, and financial sustainability.

The fiscal year ending June 30, 2025 ("2025" or "FY 2025") operating budget totals approximately \$62,820,947 for the City's budgeted operating funds. This is approximately \$6,715,011 or 12.0%, higher than the approximately \$56,105,936 original FY 2024 budget.

#### Governmental Activities

Property taxes total approximately \$16,487,500 of the FY2025 recommended budget for the General Fund which makes up the majority of the governmental activities. The FY25 budget includes a \$1.6M (11%) increase over the current year revised budget. In FY25, the City increased the ad valorem tax rate by \$0.03 per \$100 valuation. Property tax continues to be the most stable revenue source for local government in North Carolina and pending any major externalities should remain relatively stable.

Local option sales taxes are an elastic revenue source, totaling approximately \$6M in the FY25 budget for the General Fund. This budget amount represents an approximate \$145k (2.5%) increase over FY24. We have seen unprecedented growth in sales tax revenues in recent years, and remain conservative with our budgeted sales tax revenues in FY25 due to market conditions.

The budgeted fund balance appropriation in the General Fund is \$2,304,552.

#### Business-Type Activities

The Water and Sewer Fund's primary revenue source is water and sewer sales & services – fees assessed for the consumption/usage of service. Sales & services revenues are approximately (94.49)% of the total FY25 budget. Other revenues sources include but are not limited to, permits and fees (4.86%), investment earnings (0.37%), and miscellaneous sources (0.29%).

Sales & services total \$25M (94.49%) in the FY25 Water and Sewer Fund budget. The FY25 budget includes estimated revenues earned from meter-based and volumetric usage charges. The City is recognizing a pattern of residential, commercial, and industrial growth that will bring a higher demand for service adding additional connections and revenue to the utility system.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2024**

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**Additional Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Additional information may be found at the City website: <http://www.hvlnc.gov>.

Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 160 6<sup>th</sup> Ave East, Hendersonville, North Carolina 28792.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2024

|  | Primary Government      |                          |                | Component Unit           |
|--|-------------------------|--------------------------|----------------|--------------------------|
|  | Governmental Activities | Business-type Activities | Total          | Hendersonville ABC Board |
| <b>ASSETS</b>  |                         |                          |                |                          |
| Cash and cash equivalents                              | \$ 6,746,693            | \$ 10,696,779            | \$ 17,443,472  | \$ 1,667,858             |
| Investments  | 967,851                 | 1,528,000                | 2,495,851      | -                        |
| Restricted cash  | 8,580,199               | 1,774,081                | 10,354,280     | -                        |
| Receivables, net                                       | 534,432                 | 3,698,567                | 4,232,999      | 129                      |
| Due from other governments                             | 5,112,719               | 2,405,322                | 7,518,041      | -                        |
| Interfund balances                                     | (410,621)               | 410,621                  | -              | -                        |
| Prepays  | 7,917                   | 130,343                  | 138,260        | 34,428                   |
| Inventories  | -                       | 1,523,305                | 1,523,305      | 802,008                  |
| Lease receivable                                       | -                       | 732,910                  | 732,910        | -                        |
| Noncurrent assets:                                     |                         |                          |                |                          |
| Notes receivable                                       | 942,984                 | -                        | 942,984        | -                        |
| Capital assets:  |                         |                          |                |                          |
| Land and construction in progress                      | 25,578,679              | 45,345,097               | 70,923,776     | 640,091                  |
| Other capital assets, net of depreciation/amortization | 37,739,772              | 111,924,571              | 149,664,343    | 986,291                  |
| Capital assets, net                                    | 63,318,451              | 157,269,668              | 220,588,119    | 1,626,382                |
| Total assets   | 85,800,625              | 180,169,596              | 265,970,221    | 4,130,805                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  | 6,615,964               | 4,630,674                | 11,246,638     | 337,751                  |
| <b>LIABILITIES</b>                                     |                         |                          |                |                          |
| Accounts payable and accrued expenses                  | 1,440,307               | 5,788,699                | 7,229,006      | 825,242                  |
| Payable from restricted assets                         |                         |                          |                |                          |
| Customer deposits                                      | -                       | 390,873                  | 390,873        | -                        |
| Accounts payable and accrued expenses                  | 2,681,686               | -                        | 2,681,686      | -                        |
| Accrued interest payable                               | 311,222                 | 162,430                  | 473,652        | -                        |
| Long-term liabilities:                                 |                         |                          |                |                          |
| Due within one year                                    | 3,971,641               | 5,511,487                | 9,483,128      | -                        |
| Due in more than one year                              | 50,810,155              | 75,044,843               | 125,854,998    | 498,984                  |
| Total liabilities                                      | 59,215,011              | 86,898,332               | 146,113,343    | 1,324,226                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   | 1,132,192               | 1,356,004                | 2,488,196      | 13,609                   |
| <b>NET POSITION</b>                                    |                         |                          |                |                          |
| Net investment in capital assets                       | 28,976,948              | 85,732,280               | 114,709,228    | 1,626,382                |
| Restricted for:  |                         |                          |                |                          |
| Stabilization by State Statute                         | 4,449,677               | -                        | 4,449,677      | -                        |
| USDA debt reserve                                      | 176,674                 | -                        | 176,674        | -                        |
| Public safety  | 315,496                 | -                        | 315,496        | -                        |
| Capital outlay   | -                       | -                        | -              | 30,629                   |
| Economic development                                   | 823,352                 | -                        | 823,352        | -                        |
| Working capital  | -                       | -                        | -              | 345,677                  |
| Human services   | 1,594,910               | -                        | 1,594,910      | -                        |
| Parks  | 316,536                 | -                        | 316,536        | -                        |
| Unrestricted (deficit)                                 | (4,584,207)             | 10,813,654               | 6,229,447      | 1,128,033                |
| Total net position                                     | \$ 32,069,386           | \$ 96,545,934            | \$ 128,615,320 | \$ 3,130,721             |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

| Functions/Programs   | Expenses      | Program Revenues        |                                       |                                     | Net (Expense) Revenue and<br>Changes in Net Position |                             |                | Hendersonville<br>ABC Board |
|--|---------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|----------------|-----------------------------|
|  |               | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Total          |                             |
| <b>Governmental Activities:</b>                              |               |                         |                                       |                                     |  |                             |                |                             |
| General government   | \$ 6,480,307  | \$ -                    | \$ 168,082                            | \$ 4,894                            | \$ (6,307,331)                                       | \$ -                        | \$ (6,307,331) | \$ -                        |
| Public safety  | 15,556,293    | 1,177,077               | 58,749                                | -                                   | (14,320,467)   | -                           | (14,320,467)   | -                           |
| Public works   | 3,468,027     | -                       | 1,110,182                             | 644,420                             | (1,713,425)  | -                           | (1,713,425)    | -                           |
| Economic and physical development                            | 1,031,391     | -                       | 478,690                               | 4,553,581                           | 4,000,880  | -                           | 4,000,880      | -                           |
| Culture and recreation                                       | 1,106,846     | 69,544                  | 25,000                                | -                                   | (1,012,302)  | -                           | (1,012,302)    | -                           |
| Interest on long-term debt                                   | 1,109,165     | -                       | -                                     | -                                   | (1,109,165)  | -                           | (1,109,165)    | -                           |
| Total governmental activities                                | 28,752,029    | 1,246,621               | 1,840,703                             | 5,202,895                           | (20,461,810)   | -                           | (20,461,810)   | -                           |
| <b>Business-type Activities:</b>                             |               |                         |                                       |                                     |  |                             |                |                             |
| Water and sewer  | 25,357,856    | 24,909,589              | -                                     | 7,326,796                           | -  | 6,878,529                   | 6,878,529      | -                           |
| Parking services   | 1,083,015     | 1,103,099               | -                                     | -                                   | -  | 20,084                      | 20,084         | -                           |
| Environmental services                                       | 1,785,510     | 1,762,897               | -                                     | -                                   | -  | (22,613)                    | (22,613)       | -                           |
| Stormwater   | 1,076,665     | 1,234,806               | -                                     | 625,772                             | -  | 783,913                     | 783,913        | -                           |
| Total business-type activities                               | 29,303,046    | 29,010,391              | -                                     | 7,952,568                           | -  | 7,659,913                   | 7,659,913      | -                           |
| Total primary government                                     | 58,055,075    | 30,257,012              | 1,840,703                             | 13,155,463                          | (20,461,810)   | 7,659,913                   | (12,801,897)   | -                           |
| <b>Component unit</b>  |               |                         |                                       |                                     |  |                             |                |                             |
| Hendersonville ABC Board                                     | \$ 11,651,595 | \$ 11,684,842           | \$ -                                  | \$ -                                | -  | -                           | -              | 33,247                      |
| <b>General revenues:</b>                                     |               |                         |                                       |                                     |  |                             |                |                             |
| <b>Taxes:</b>  |               |                         |                                       |                                     |  |                             |                |                             |
| Property taxes, levied for general purpose                   |               |                         |                                       |                                     | 15,262,782   | -                           | 15,262,782     | -                           |
| Local option sales tax                                       |               |                         |                                       |                                     | 6,247,325  | -                           | 6,247,325      | -                           |
| Other taxes and licenses                                     |               |                         |                                       |                                     | 1,596,293  | -                           | 1,596,293      | -                           |
| Grants and contributions not restricted to specific programs |               |                         |                                       |                                     | 15,000   | -                           | 15,000         | -                           |
| Investment earnings, unrestricted                            |               |                         |                                       |                                     | 857,568  | 591,744                     | 1,449,312      | 27,808                      |
| Gain on disposal of asset                                    |               |                         |                                       |                                     | 365,893  | 91,678                      | 457,571        | -                           |
| Miscellaneous, unrestricted                                  |               |                         |                                       |                                     | 881,949  | 21,538                      | 903,487        | -                           |
| Total general revenues                                       |               |                         |                                       |                                     | 25,226,810   | 704,960                     | 25,931,770     | 27,808                      |
| Transfers  |               |                         |                                       |                                     | (5,195,772)  | 5,195,772                   | -              | -                           |
| Total general revenues and transfers                         |               |                         |                                       |                                     | 20,031,038   | 5,900,732                   | 25,931,770     | 27,808                      |
| Changes in net position                                      |               |                         |                                       |                                     | (430,772)  | 13,560,645                  | 13,129,873     | 61,055                      |
| Net position, beginning of year                              |               |                         |                                       |                                     | 32,500,158   | 82,985,289                  | 115,485,447    | 3,069,666                   |
| Net position, end of year                                    |               |                         |                                       |                                     | \$ 32,069,386  | \$ 96,545,934               | \$ 128,615,320 | \$ 3,130,721                |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

|   | <u>General<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Governmental<br/>Capital Project<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|------------------------|--|--|---|
| <b>Assets</b>   |                         |                        |  |  |   |
| Cash and cash equivalents   | \$ 6,537,899            | \$ -                   | \$ -   | \$ 144,345                                 | \$ 6,682,244                            |
| Investments   | 754,873                 | 186,775                | -  | 26,203                                     | 967,851                                 |
| Accounts receivable, net  | 298,758                 | -                      | -  | 97   | 298,855                                 |
| Ad valorem taxes receivable, net                                    | 222,798                 | -                      | -  | 12,779                                     | 235,577                                 |
| Due from other funds  | 1,135,370               | -                      | -  | -  | 1,135,370                               |
| Due from other governments  | 3,015,549               | 1,758,888              | 235,514  | 102,768                                    | 5,112,719                               |
| Prepays   | 7,767                   | -                      | -  | 150  | 7,917                                   |
| Restricted cash and investments                                     | 176,674                 | 1,721,689              | 6,286,956  | 394,880                                    | 8,580,199                               |
| Notes receivable  | 455,484                 | 487,500                | -  | -  | 942,984                                 |
| Total assets  | <u>\$ 12,605,172</u>    | <u>\$ 4,154,852</u>    | <u>\$ 6,522,470</u>                              | <u>\$ 681,222</u>                          | <u>\$ 23,963,716</u>                    |
| <b>Liabilities</b>  |                         |                        |  |  |   |
| Accounts payable and accrued liabilities                            | \$ 1,310,209            | \$ 47,951              | \$ -   | \$ 41,934                                  | \$ 1,400,094                            |
| Due to other funds  | -                       | 1,545,991              | -  | -  | 1,545,991                               |
| Payable from restricted assets                                      |                         |                        |  |  |   |
| Accounts payable and accrued liabilities                            | -                       | -                      | 2,681,686  | -  | 2,681,686                               |
| Total liabilities   | <u>1,310,209</u>        | <u>1,593,942</u>       | <u>2,681,686</u>                                 | <u>41,934</u>                              | <u>5,627,771</u>                        |
| <b>Deferred inflows of resources</b>                                | <u>222,798</u>          | <u>-</u>               | <u>-</u>   | <u>12,779</u>                              | <u>235,577</u>                          |
| <b>Fund balances</b>  |                         |                        |  |  |   |
| Nonspendable:   |                         |                        |  |  |   |
| Notes receivable  | 455,484                 | -                      | -  | -  | 455,484                                 |
| Prepays   | 7,767                   | -                      | -  | 150  | 7,917                                   |
| Restricted:   |                         |                        |  |  |   |
| Stabilization by State statute                                      | 4,449,677               | -                      | -  | -  | 4,449,677                               |
| USDA debt reserve   | 176,674                 | -                      | -  | -  | 176,674                                 |
| Public safety   | -                       | 45,748                 | -  | 269,748                                    | 315,496                                 |
| Economic development  | -                       | 603,716                | -  | 219,636                                    | 823,352                                 |
| Capital projects  | -                       | -                      | 3,840,784  | -  | 3,840,784                               |
| Human services  | -                       | 1,594,910              | -  | -  | 1,594,910                               |
| Parks   | -                       | 316,536                | -  | -  | 316,536                                 |
| Committed:  |                         |                        |  |  |   |
| General government  | -                       | -                      | -  | 136,975                                    | 136,975                                 |
| Assigned:   |                         |                        |  |  |   |
| Subsequent year's expenditures                                      | 2,304,552               | -                      | -  | -  | 2,304,552                               |
| Unassigned  | 3,678,011               | -                      | -  | -  | 3,678,011                               |
| Total fund balances   | <u>11,072,165</u>       | <u>2,560,910</u>       | <u>3,840,784</u>                                 | <u>626,509</u>                             | <u>18,100,368</u>                       |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 12,605,172</u>    | <u>\$ 4,154,852</u>    | <u>\$ 6,522,470</u>                              | <u>\$ 681,222</u>                          | <u>\$ 23,963,716</u>                    |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

|   |                      |
|---|----------------------|
| Total fund balances for governmental funds  | \$ 18,100,368        |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:  |                      |
| Capital assets and right-to-use used in governmental activities are not financial resources and therefore are not reported in the governmental funds:   |                      |
| Original cost and/or donated value  | 93,293,523           |
| Less accumulated depreciation and amortization  | (29,975,072)         |
| Deferred outflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered a consumption of net position that applies to a future period and are included in the statement of net position: |                      |
| Pension related deferrals   | 6,034,751            |
| OPEB related deferrals  | 581,219              |
| Property tax revenues in the statement of activities that do not provide current financial resources are unavailable and therefore not recognized as revenue in the fund statements.  | 235,577              |
| Deferred inflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered economic resources and recognized as revenue in the government-wide statements.                                   |                      |
| Pension deferrals   | (299,139)            |
| OPEB deferrals  | (833,059)            |
| The internal service fund is used by management to allocate self-insurance costs to individual funds and departments. The assets and liabilities are included in governmental activities in the statement of net position.                            | 24,236               |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:  |                      |
| Bond payable, net of unamortized premiums   | (3,723,316)          |
| Installment obligations   | (36,533,987)         |
| Financed purchases  | (138,808)            |
| Lease liabilities   | (134,334)            |
| SBITA liabilities   | (98,014)             |
| Compensated absences  | (1,552,802)          |
| Total pension liability - LEOSSA  | (1,568,520)          |
| Net pension liability - LGERS   | (9,337,849)          |
| Total OPEB liability  | (1,694,166)          |
| Accrued interest payable  | (311,222)            |
| Net position of governmental activities   | <u>\$ 32,069,386</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

|                                       | <u>General<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Governmental<br/>Capital Project<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|-------------------------|------------------------|--|--|---|
| <b>Revenues</b>                       |                         |                        |  |  |   |
| Ad valorem taxes                      | \$ 14,917,563           | \$ -                   | \$ -   | \$ 357,716                                 | \$ 15,275,279                           |
| Local option sales taxes              | 5,872,485               | -                      | -  | 374,839                                    | 6,247,324                               |
| Other taxes and licenses              | 12,240                  | -                      | -  | -  | 12,240                                  |
| Unrestricted intergovernmental        | 1,990,202               | -                      | -  | -  | 1,990,202                               |
| Restricted intergovernmental          | 954,722                 | 5,086,914              | 367,948  | 4,107                                      | 6,413,691                               |
| Permits and fees                      | 620,567                 | -                      | -  | -  | 620,567                                 |
| Sales and services                    | 437,006                 | -                      | -  | 35,022                                     | 472,028                                 |
| Investment earnings                   | 285,018                 | 61,603                 | 499,449  | 10,750                                     | 856,820                                 |
| Miscellaneous                         | 251,723                 | -                      | 15,000   | 225,721                                    | 492,444                                 |
| Total revenues                        | <u>25,341,526</u>       | <u>5,148,517</u>       | <u>882,397</u>                                   | <u>1,008,155</u>                           | <u>32,380,595</u>                       |
| <b>Expenditures</b>                   |                         |                        |  |  |   |
| Current:                              |                         |                        |  |  |   |
| General government                    | 4,233,551               | 31,866                 | 142,613  | 213,025                                    | 4,621,055                               |
| Public safety                         | 12,931,630              | 52,152                 | -  | 35,330                                     | 13,019,112                              |
| Public works                          | 4,617,964               | 2,515                  | -  | -  | 4,620,479                               |
| Economic and physical development     | -                       | 384,982                | -  | 809,084                                    | 1,194,066                               |
| Capital outlay                        | -                       | -                      | 20,244,635                                       | -  | 20,244,635                              |
| Debt service:                         |                         |                        |  |  |   |
| Principal                             | 3,003,862               | -                      | -  | 29,430                                     | 3,033,292                               |
| Interest and fees                     | 1,168,780               | -                      | -  | 15,778                                     | 1,184,558                               |
| Total expenditures                    | <u>25,955,787</u>       | <u>471,515</u>         | <u>20,387,248</u>                                | <u>1,102,647</u>                           | <u>47,917,197</u>                       |
| Revenues over (under) expenditures    | <u>(614,261)</u>        | <u>4,677,002</u>       | <u>(19,504,851)</u>                              | <u>(94,492)</u>                            | <u>(15,536,602)</u>                     |
| <b>Other Financing Sources (Uses)</b> |                         |                        |  |  |   |
| Sale of capital assets                | 512,316                 | -                      | 350,000  | -  | 862,316                                 |
| Issuance of long-term obligations     | -                       | -                      | 1,306,996  | -  | 1,306,996                               |
| Lease liabilities issued              | 4,943                   | -                      | -  | -  | 4,943                                   |
| Transfers from other funds            | -                       | 75,000                 | 81,438   | 350,000                                    | 506,438                                 |
| Transfers to other funds              | (425,000)               | (5,195,771)            | -  | (81,439)                                   | (5,702,210)                             |
| Total other financing sources (uses)  | <u>92,259</u>           | <u>(5,120,771)</u>     | <u>1,738,434</u>                                 | <u>268,561</u>                             | <u>(3,021,517)</u>                      |
| Net changes in fund balances          | (522,002)               | (443,769)              | (17,766,417)                                     | 174,069                                    | (18,558,119)                            |
| Fund balances, beginning of year      | <u>11,594,167</u>       | <u>3,004,679</u>       | <u>21,607,201</u>                                | <u>452,440</u>                             | <u>36,658,487</u>                       |
| Fund balances, end of year            | <u>\$ 11,072,165</u>    | <u>\$ 2,560,910</u>    | <u>\$ 3,840,784</u>                              | <u>\$ 626,509</u>                          | <u>\$ 18,100,368</u>                    |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

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

|   |                     |
|---|---------------------|
| Net change in fund balances--total governmental funds   | \$ (18,558,119)     |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense with any residual book value expensed if the asset is disposed:</p>  |                     |
| Capital outlay expenditures   | 20,698,353          |
| Depreciation expense  | (2,402,504)         |
| Amortization expense  | (120,472)           |
| Net book value of capital assets disposed   | (624,623)           |
| Donations of capital assets   | 413,800             |
| Contributions to pension plans in the current fiscal year are not included on the Statement of Activities   | (1,513,438)         |
| Benefit payments and administrative expenses for LEOSSA in the current fiscal year are not included on the Statement of Activities  | (60,761)            |
| Benefit payments and administrative expenses for OPEB in the current fiscal year are not included on the Statement of Activities  | (121,054)           |
| <p>Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:</p>  |                     |
| Net change in ad valorem taxes receivable   | 11,934              |
| Net change in accrued interest receivable on property taxes   | (24,423)            |
| <p>The issuance of long-term debt provides current financial resources, while the repayment of debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p> |                     |
| Proceeds from the issuance of debt and lease liabilities  | (1,311,939)         |
| Amortization of bond issuance premium   | 74,339              |
| Repayments  | 3,033,292           |
| The internal service fund is used by management to account for the activities of the City's health insurance and workers' compensation plans. The net revenue compensation. The net expense is reported with the governmental activities  | (74,944)            |
| <p>Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:</p>  |                     |
| Compensated absences  | (293,421)           |
| Pension expense - LGERS   | 294,629             |
| Pension expense - LEOSSA  | (10,742)            |
| OPEB plan expense   | 158,267             |
| Accrued interest payable  | <u>1,054</u>        |
| Change in net position, governmental activities   | <u>\$ (430,772)</u> |

The accompanying notes are an integral part of these financial statements.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024

|                                       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>        | <b>Variance with<br/>Final Budget-<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|----------------------------|-------------------------|----------------------|--|
| <b>Revenues</b>                       |                            |                         |                      |  |
| Ad valorem taxes                      | \$ 13,942,500              | \$ 14,883,240           | \$ 14,917,563        | \$ 34,323  |
| Unrestricted intergovernmental        | 7,571,000                  | 7,734,000               | 7,862,687            | 128,687  |
| Other taxes and licenses              | 7,500                      | 7,500                   | 12,240               | 4,740  |
| Restricted intergovernmental          | 749,920                    | 943,833                 | 954,722              | 10,889   |
| Permits and fees                      | 444,550                    | 483,750                 | 620,567              | 136,817  |
| Sales and services                    | 363,600                    | 887,090                 | 437,006              | (450,084)  |
| Investment earnings                   | 175,000                    | 280,000                 | 285,018              | 5,018  |
| Miscellaneous                         | 6,000                      | 242,968                 | 251,723              | 8,755  |
| Total revenues                        | <u>23,260,070</u>          | <u>25,462,381</u>       | <u>25,341,526</u>    | <u>(120,855)</u>   |
| <b>Expenditures</b>                   |                            |                         |                      |  |
| Current:                              |                            |                         |                      |  |
| General government                    | 4,153,901                  | 4,836,021               | 4,233,551            | 602,470  |
| Public safety                         | 13,048,129                 | 14,543,356              | 12,931,630           | 1,611,726  |
| Public works                          | 5,053,846                  | 5,451,876               | 4,617,964            | 833,912  |
| Debt service:                         |                            |                         |                      |  |
| Principal retirement                  | 2,581,670                  | 3,003,930               | 3,003,862            | 68   |
| Interest and other charges            | 997,043                    | 1,169,043               | 1,168,780            | 263  |
| Total expenditures                    | <u>25,834,589</u>          | <u>29,004,226</u>       | <u>25,955,787</u>    | <u>3,048,439</u>   |
| Revenues over (under) expenditures    | <u>(2,574,519)</u>         | <u>(3,541,845)</u>      | <u>(614,261)</u>     | <u>2,927,584</u>   |
| <b>Other Financing Sources (Uses)</b> |                            |                         |                      |  |
| Appropriated fund balance             | 2,614,519                  | 3,736,545               | -                    | (3,736,545)  |
| Sale of capital assets                | 35,000                     | 550,000                 | 512,316              | (37,684)   |
| Lease liabilities issued              | -                          | -                       | 4,943                | 4,943  |
| Transfers to other funds              | (75,000)                   | (744,700)               | (425,000)            | 319,700  |
| Total other financing sources (uses)  | <u>2,574,519</u>           | <u>3,541,845</u>        | <u>92,259</u>        | <u>(3,449,586)</u>   |
| Net change in fund balance            | <u>\$ -</u>                | <u>\$ -</u>             | <u>(522,002)</u>     | <u>\$ (522,002)</u>  |
| Fund balance, beginning of year       |                            |                         | <u>11,594,167</u>    |  |
| Fund balance, end of year             |                            |                         | <u>\$ 11,072,165</u> |  |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2024

|  | <b>Major Enterprise Funds</b>   |                                  | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service Fund</b> |
|--|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
|  | <b>Water and<br/>Sewer Fund</b> | <b>Parking<br/>Services Fund</b> |  |                                       |                                  |
| <b>ASSETS</b>                                |                                 |                                  |  |                                       |                                  |
| Current assets:                              |                                 |                                  |  |                                       |                                  |
| Cash and cash equivalents                    | \$ 10,688,903                   | \$ -                             | \$ 7,876                                 | \$ 10,696,779                         | \$ 64,449                        |
| Investments                                  | 1,527,020                       | -                                | 980                                      | 1,528,000                             | -                                |
| Accounts receivable, net                     | 3,223,624                       | 57,229                           | 417,714                                  | 3,698,567                             | -                                |
| Due from other governments                   | 2,063,004                       | -                                | 342,318                                  | 2,405,322                             | -                                |
| Due from other funds                         | 1,545,991                       | -                                | -  | 1,545,991                             | -                                |
| Lease receivable                             | 732,910                         | -                                | -  | 732,910                               | -                                |
| Inventory                                    | 1,523,305                       | -                                | -  | 1,523,305                             | -                                |
| Prepays                                      | 41,004                          | 29,219                           | 60,120                                   | 130,343                               | -                                |
| Restricted cash and cash equivalents         | 1,402,043                       | -                                | 372,038                                  | 1,774,081                             | -                                |
| Total current assets                         | <u>22,747,804</u>               | <u>86,448</u>                    | <u>1,201,046</u>                         | <u>24,035,298</u>                     | <u>64,449</u>                    |
| Noncurrent assets:                           |                                 |                                  |  |                                       |                                  |
| Capital assets:                              |                                 |                                  |  |                                       |                                  |
| Non-depreciable/amortizable                  | 41,974,464                      | 1,912,656                        | 1,457,977                                | 45,345,097                            | -                                |
| Depreciable/amortizable capital assets, net  | 99,467,731                      | 10,585,551                       | 1,871,289                                | 111,924,571                           | -                                |
| Total capital assets, net                    | <u>141,442,195</u>              | <u>12,498,207</u>                | <u>3,329,266</u>                         | <u>157,269,668</u>                    | <u>-</u>                         |
| Total assets                                 | <u>164,189,999</u>              | <u>12,584,655</u>                | <u>4,530,312</u>                         | <u>181,304,966</u>                    | <u>64,449</u>                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |                                 |                                  |  |                                       |                                  |
| Pension deferrals                            | 3,637,506                       | -                                | 567,427                                  | 4,204,933                             | -                                |
| OPEB deferrals                               | 368,344                         | -                                | 57,397                                   | 425,741                               | -                                |
| Total deferred outflows of resources         | <u>4,005,850</u>                | <u>-</u>                         | <u>624,824</u>                           | <u>4,630,674</u>                      | <u>-</u>                         |
| <b>LIABILITIES</b>                           |                                 |                                  |  |                                       |                                  |
| Current liabilities:                         |                                 |                                  |  |                                       |                                  |
| Accounts payable and accrued liabilities     | 4,750,928                       | 26,426                           | 748,943                                  | 5,526,297                             | 40,213                           |
| Accrued salaries and benefits                | 217,267                         | 2,565                            | 42,570                                   | 262,402                               | -                                |
| Accrued interest payable                     | 109,129                         | 41,897                           | 11,404                                   | 162,430                               | -                                |
| Due to the other funds                       | -                               | 571,439                          | 563,931                                  | 1,135,370                             | -                                |
| Compensated absences, current                | 455,158                         | 3,215                            | 48,605                                   | 506,978                               | -                                |
| Current portion of long-term debt            | 4,217,219                       | 561,942                          | 225,348                                  | 5,004,509                             | -                                |
| Payable from restricted assets:              |                                 |                                  |  |                                       |                                  |
| Customer deposits                            | 389,798                         | 1,075                            | -  | 390,873                               | -                                |
| Total current liabilities                    | <u>10,139,499</u>               | <u>1,208,559</u>                 | <u>1,640,801</u>                         | <u>12,988,859</u>                     | <u>40,213</u>                    |
| Noncurrent liabilities:                      |                                 |                                  |  |                                       |                                  |
| Compensated absences, net of current portion | 383,211                         | 2,790                            | 43,094                                   | 429,095                               | -                                |
| Net pension liability - LGERS                | 5,918,623                       | -                                | 923,267                                  | 6,841,890                             | -                                |
| Total OPEB liability                         | 1,073,676                       | -                                | 167,303                                  | 1,240,979                             | -                                |
| Long-term debt, net of current portion       | 54,451,746                      | 10,993,957                       | 1,087,176                                | 66,532,879                            | -                                |
| Total noncurrent liabilities                 | <u>61,827,256</u>               | <u>10,996,747</u>                | <u>2,220,840</u>                         | <u>75,044,843</u>                     | <u>-</u>                         |
| Total liabilities                            | <u>71,966,755</u>               | <u>12,205,306</u>                | <u>3,861,641</u>                         | <u>88,033,702</u>                     | <u>40,213</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                                 |                                  |  |                                       |                                  |
| Pension deferrals                            | 60,645                          | -                                | 9,460                                    | 70,105                                | -                                |
| OPEB deferrals                               | 527,951                         | -                                | 82,266                                   | 610,217                               | -                                |
| Leases                                       | 675,682                         | -                                | -  | 675,682                               | -                                |
| Total deferred inflows of resources          | <u>1,264,278</u>                | <u>-</u>                         | <u>91,726</u>                            | <u>1,356,004</u>                      | <u>-</u>                         |
| Net investment in capital assets             | 82,773,230                      | 942,308                          | 2,016,742                                | 85,732,280                            | -                                |
| Unrestricted (deficit)                       | 12,191,586                      | (562,959)                        | (814,973)                                | 10,813,654                            | 24,236                           |
| Total net position (deficit)                 | <u>\$ 94,964,816</u>            | <u>\$ 379,349</u>                | <u>\$ 1,201,769</u>                      | <u>\$ 96,545,934</u>                  | <u>\$ 24,236</u>                 |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <b>Major Enterprise Funds</b>   |                                  |  |                                       |                                  |
|--|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
|  | <b>Water and<br/>Sewer Fund</b> | <b>Parking<br/>Services Fund</b> | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service Fund</b> |
| <b>OPERATING REVENUES</b>                        |                                 |                                  |  |                                       |                                  |
| Charges for services                             | \$ 23,710,917                   | \$ 1,103,099                     | \$ 2,997,703                             | \$ 27,811,719                         | \$ 342,456                       |
| Other operating revenue                          | 1,198,672                       | -                                | -  | 1,198,672                             | 26,031                           |
| Total operating revenues                         | <u>24,909,589</u>               | <u>1,103,099</u>                 | <u>2,997,703</u>                         | <u>29,010,391</u>                     | <u>368,487</u>                   |
| <b>OPERATING EXPENSES</b>                        |                                 |                                  |  |                                       |                                  |
| Operations                                       | 20,107,179                      | 395,028                          | 2,627,325                                | 23,129,532                            | 444,182                          |
| Depreciation and amortization                    | 4,312,354                       | 431,902                          | 196,594                                  | 4,940,850                             | -                                |
| Total operating expenses                         | <u>24,419,533</u>               | <u>826,930</u>                   | <u>2,823,919</u>                         | <u>28,070,382</u>                     | <u>444,182</u>                   |
| Operating income (loss)                          | <u>490,056</u>                  | <u>276,169</u>                   | <u>173,784</u>                           | <u>940,009</u>                        | <u>(75,695)</u>                  |
| <b>NONOPERATING REVENUES AND EXPENSES</b>        |                                 |                                  |  |                                       |                                  |
| Interest income                                  | 575,807                         | 4,936                            | 11,001                                   | 591,744                               | 751                              |
| Lease revenue                                    | 21,538                          | -                                | -  | 21,538                                | -                                |
| Sale of capital assets                           | 83,778                          | -                                | 7,900                                    | 91,678                                | -                                |
| Interest expense                                 | (938,323)                       | (256,085)                        | (38,256)                                 | (1,232,664)                           | -                                |
| Total nonoperating revenue (expense), net        | <u>(257,200)</u>                | <u>(251,149)</u>                 | <u>(19,355)</u>                          | <u>(527,704)</u>                      | <u>751</u>                       |
| Income (loss) before transfers and contributions | <u>232,856</u>                  | <u>25,020</u>                    | <u>154,429</u>                           | <u>412,305</u>                        | <u>(74,944)</u>                  |
| <b>TRANSFERS AND CONTRIBUTIONS</b>               |                                 |                                  |  |                                       |                                  |
| Transfer to other funds                          | (1,448,686)                     | -                                | -  | (1,448,686)                           | -                                |
| Transfers from other funds                       | 6,644,458                       | -                                | -  | 6,644,458                             | -                                |
| Capital contributions                            | 7,326,796                       | -                                | 625,772                                  | 7,952,568                             | -                                |
| Total transfers and contributions, net           | <u>12,522,568</u>               | <u>-</u>                         | <u>625,772</u>                           | <u>13,148,340</u>                     | <u>-</u>                         |
| Change in net position                           | 12,755,424                      | 25,020                           | 780,201                                  | 13,560,645                            | (74,944)                         |
| Net position, beginning of year                  | <u>82,209,392</u>               | <u>354,329</u>                   | <u>421,568</u>                           | <u>82,985,289</u>                     | <u>99,180</u>                    |
| Net position, end of year                        | <u>\$ 94,964,816</u>            | <u>\$ 379,349</u>                | <u>\$ 1,201,769</u>                      | <u>\$ 96,545,934</u>                  | <u>\$ 24,236</u>                 |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Major Enterprise Funds</u>   |                                  | <u>Nonmajor<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> | <u>Internal<br/>Service Fund</u> |
|--|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
|  | <u>Water and<br/>Sewer Fund</u> | <u>Parking<br/>Services Fund</u> |  |                                       |                                  |
| <b>Cash flows from operating activities:</b>                     |                                 |                                  |  |                                       |                                  |
| Cash received from customers                                     | \$ 27,808,913                   | \$ 1,068,591                     | \$ 2,972,483                             | \$ 31,849,987                         | \$ 368,607                       |
| Cash paid for goods and services                                 | (10,980,285)                    | (240,777)                        | (935,164)                                | (12,156,226)                          | (465,948)                        |
| Cash paid to employees   | (11,166,917)                    | (173,328)                        | (1,280,470)                              | (12,620,715)                          | -                                |
| Net cash provided (used) by operating activities                 | <u>5,661,711</u>                | <u>654,486</u>                   | <u>756,849</u>                           | <u>7,073,046</u>                      | <u>(97,341)</u>                  |
| <b>Cash flows from noncapital financing activities:</b>          |                                 |                                  |  |                                       |                                  |
| Interfund balances   | (1,545,991)                     | 159,310                          | 300,843                                  | (1,085,838)                           | -                                |
| Transfers to other funds, net                                    | 5,195,772                       | -                                | -  | 5,195,772                             | -                                |
| Net cash provided by noncapital financing activities             | <u>3,649,781</u>                | <u>159,310</u>                   | <u>300,843</u>                           | <u>4,109,934</u>                      | <u>-</u>                         |
| <b>Cash flows from capital and related financing activities:</b> |                                 |                                  |  |                                       |                                  |
| Proceeds on sale of assets                                       | 93,422                          | -                                | 7,900                                    | 101,322                               | -                                |
| Capital contributions  | 36,917                          | -                                | 418,500                                  | 455,417                               | -                                |
| Cash received from lease agreement                               | 21,538                          | -                                | -  | 21,538                                | -                                |
| Acquisition and construction of capital assets                   | (18,341,980)                    | (6,530)                          | (1,370,624)                              | (19,719,134)                          | -                                |
| Proceeds from issuance of long-term debt                         | 7,164,827                       | -                                | 477,004                                  | 7,641,831                             | -                                |
| Principal retirement   | (3,063,763)                     | (395,000)                        | (187,409)                                | (3,646,172)                           | -                                |
| Interest paid on long-term debt                                  | (965,299)                       | (417,202)                        | (33,170)                                 | (1,415,671)                           | -                                |
| Net cash used by capital and related financing activities        | <u>(15,054,338)</u>             | <u>(818,732)</u>                 | <u>(687,799)</u>                         | <u>(16,560,869)</u>                   | <u>-</u>                         |
| <b>Cash flows from investing activities:</b>                     |                                 |                                  |  |                                       |                                  |
| Proceeds from sales (purchases of) investments, net              | 4,419,596                       | -                                | (980)                                    | 4,418,616                             | 87,103                           |
| Interest on investments  | 575,807                         | 4,936                            | 11,001                                   | 591,744                               | 751                              |
| Net cash provided by investing activities                        | <u>4,995,403</u>                | <u>4,936</u>                     | <u>10,021</u>                            | <u>5,010,360</u>                      | <u>87,854</u>                    |
| Net increase (decrease) in cash and cash equivalents             | (747,443)                       | -                                | 379,914                                  | (367,529)                             | (9,487)                          |
| Cash and cash equivalents, beginning of year                     | <u>12,838,389</u>               | <u>-</u>                         | <u>-</u>                                 | <u>12,838,389</u>                     | <u>73,936</u>                    |
| Cash and cash equivalents, end of year                           | <u>\$ 12,090,946</u>            | <u>\$ -</u>                      | <u>\$ 379,914</u>                        | <u>\$ 12,470,860</u>                  | <u>\$ 64,449</u>                 |
| Classified as:   |                                 |                                  |  |                                       |                                  |
| Cash and cash equivalents  | \$ 10,688,903                   | \$ -                             | \$ 7,876                                 | \$ 10,696,779                         |                                  |
| Restricted cash and cash equivalents                             | 1,402,043                       | -                                | 372,038                                  | 1,774,081                             |                                  |
|  | <u>\$ 12,090,946</u>            | <u>\$ -</u>                      | <u>\$ 379,914</u>                        | <u>\$ 12,470,860</u>                  | <u>\$ -</u>                      |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Major Enterprise Funds</u>   |                                  | <u>Nonmajor<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> | <u>Internal<br/>Service Fund</u> |
|--|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
|  | <u>Water and<br/>Sewer Fund</u> | <u>Parking<br/>Services Fund</u> |  |                                       |                                  |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>        |                                 |                                  |  |                                       |                                  |
| Operating income (loss)  | \$ 490,057                      | \$ 276,169                       | \$ 173,784                               | \$ 940,010                            | \$ (75,695)                      |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                                 |                                  |  |                                       |                                  |
| Depreciation   | 4,312,354                       | 431,902                          | 196,594                                  | 4,940,850                             | -                                |
| Lease adjustment   | (18,730)                        | -                                | -  | (18,730)                              | -                                |
| Changes in assets and liabilities:   |                                 |                                  |  |                                       |                                  |
| (Increase) decrease in accounts receivable   | 2,904,098                       | (34,508)                         | (25,220)                                 | 2,844,370                             | 120                              |
| (Increase) decrease in due from other governments  | (2,063,004)                     | -                                | (342,318)                                | (2,405,322)                           | -                                |
| (Increase) decrease in inventories   | (235,043)                       | -                                | -  | (235,043)                             | -                                |
| (Increase) decrease in prepaids  | (3,136)                         | (29,219)                         | (60,120)                                 | (92,475)                              | -                                |
| (Increase) decrease in deferred outflows of resources for pensions                             | (344,794)                       | -                                | (53,785)                                 | (398,579)                             | -                                |
| (Increase) decrease in deferred outflows of resources for OPEB                                 | 44,406                          | -                                | 6,919                                    | 51,325                                | -                                |
| Increase (decrease) in accounts payable and accrued liabilities                                | (645,498)                       | 4,137                            | 688,109                                  | 46,748                                | (21,766)                         |
| Increase (decrease) in customer deposits   | 13,955                          | -                                | -  | 13,955                                | -                                |
| Increase (decrease) in compensated absences  | 157,715                         | 6,005                            | 9,187                                    | 172,907                               | -                                |
| Increase (decrease) in net pension liability - LGERS   | 1,122,257                       | -                                | 175,065                                  | 1,297,322                             | -                                |
| Increase (decrease) in OPEB liability  | (347,075)                       | -                                | (54,082)                                 | (401,157)                             | -                                |
| Increase (decrease) in deferred inflows of resources - pensions                                | (4,936)                         | -                                | (771)                                    | (5,707)                               | -                                |
| Increase (decrease) in deferred inflows of resources - OPEB                                    | 279,085                         | -                                | 43,487                                   | 322,572                               | -                                |
| Total adjustment   | <u>5,171,654</u>                | <u>378,317</u>                   | <u>583,065</u>                           | <u>6,133,036</u>                      | <u>(21,646)</u>                  |
| Net cash provided (used) by operating activities   | <u>\$ 5,661,711</u>             | <u>\$ 654,486</u>                | <u>\$ 756,849</u>                        | <u>\$ 7,073,046</u>                   | <u>\$ (97,341)</u>               |
| <b>Noncash Capital and Related Financing Activities</b>  |                                 |                                  |  |                                       |                                  |
| Donations of capital assets  | <u>\$ 7,289,879</u>             | <u>\$ -</u>                      | <u>\$ 207,272</u>                        | <u>\$ -</u>                           | <u>\$ -</u>                      |

The accompanying notes are an integral part of these financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

FIDUCIARY FUND  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2024

|   | <u>Custodial<br/>Fund</u> |
|---|---------------------------|
| <b>Assets</b>                                     |                           |
| Cash and cash equivalents                         | \$ 200,134                |
| Accounts receivable                               | 381,995                   |
| Total assets                                      | <u>582,129</u>            |
| <br>  |                           |
| <b>Liabilities</b>                                |                           |
| Due to others                                     | <u>582,129</u>            |
| <br>  |                           |
| <b>Net Position</b>                               |                           |
| Restricted for:                                   |                           |
| Individuals, organizations, and other governments | -                         |
| Total net position                                | <u>\$ -</u>               |

The accompanying notes are an integral part of these financial statements.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2024**

|  | <u><b>Custodial<br/>Fund</b></u> |
|--|----------------------------------|
| <b>Additions</b>                           |                                  |
| Sewer and stormwater billing collections   | \$ 2,255,098                     |
| <b>Deductions</b>                          |                                  |
| Payments to other governments and entities | <u>2,255,098</u>                 |
| Net change in fiduciary net position       | -                                |
| Net position, beginning                    | <u>-</u>                         |
| Net position, ending                       | <u><u>\$ -</u></u>               |

The accompanying notes are an integral part of these financial statements.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2024

## 1. Summary of Significant Accounting Policies

The financial statements of the City of Hendersonville, North Carolina (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s significant accounting policies are described below.

### A. Reporting Entity

The City was originally incorporated on January 7, 1847, and operated under a Council-Mayor form of government. With the election of 1993, the City changed to a Council-Manager form of government. City Council consists of the Mayor and four (4) other members who are elected by qualified voters of the City. The Mayor and City Council, elected for four (4) year staggered terms, are vested with the legislative and policymaking powers of the City. The City Council appoints a City Manager who serves as the chief executive officer of the City and is responsible to the City Council for proper administration of all affairs of the City.

The City’s major operations consist of general government, public safety (police and fire), transportation, environmental protection, economic and physical development, cultural and recreational, water and sewer, parking services and stormwater services.

The financial statements of the City include one (1) discretely presented component unit – the City of Hendersonville Alcoholic Beverage Control Board (the “ABC Board”). 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 30th year end, is presented as a business-type activity discretely presented component unit. Complete financial information, including separately issued financial statements, may be obtained from the ABC Board’s administrative offices located at 205 South Church Street, Hendersonville, North Carolina 28792.

### B. Basis of Presentation

#### **Government-Wide Statements:**

The Statement of Net Position and the Statement of Activities display information about the primary government (the “City”) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Interfund services provided and used are not eliminated in the process of consolidation. 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.

**Fund Financial Statements:**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - 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 non-major funds.

The City reports the following major governmental funds for the year ended June 30, 2024:

 **General Fund**

The General Fund is the City's primary operating fund and is an annually budgeted fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

 **Grants Fund**

This fund accounts for the receipt and disbursement of Federal and State grants, excluding those for which it may be deemed necessary for a separate fund to be established due to the size or nature of the grant.

 **Governmental Capital Projects Fund**

This fund accounts for and reports funds that are restricted, committed, or assigned for capital improvements. This fund adopts a multi-year project budget.

The City reports the following major enterprise funds for the year ended June 30, 2024:

 **Water and Sewer Fund**

The Water and Sewer Fund is an annually budgeted fund and accounts for the operation, maintenance and development of the City's water and sewer system.

 **Parking Services Fund**

The Parking Services Fund is an annually budgeted fund and accounts for the operation and maintenance of parking locations for residents and visitors throughout the City.

Additionally, the City reports the following fund types:

 **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources (other than Federal or State grants or major capital projects) that are legally restricted or committed to expenditures for specified purposes. The City has the following special revenue funds: the Main Street Tax District Fund, Seventh Avenue Tax District Fund, and the Special Revenue Fund.

 **Nonmajor Enterprise Funds**

The non-major enterprise funds are used to account for the City's stormwater, sanitation, and recycling operations.

**Internal Service Funds**

The internal service funds is used to administer payments for employee health claims. Expenditures of benefits to City staff whose costs are reported in the City's funds are not eliminated in the preparation of the fund financial statements but are eliminated and included with governmental activities in the government-wide financial statements.

**Custodial Funds**

The custodial fund is used to account for money collected on behalf of other municipalities and utilities for which the City provides billing services. The custodial fund does not report any net position as no further action, approval, or condition is required to be taken to release the assets in the fund as the City incurs a liability as soon as it takes control of the resources.

- 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, Proprietary, and Fiduciary Fund Financial Statements:**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except the agency funds which have no measurement focus, and 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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. 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. In addition, the government-wide statement of activities reflects depreciation and amortization expense on the City's capital assets and intangible right-to-use assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**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.

Long-term debt issued is reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under leases and IT subscriptions are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a 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 current year. As of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 position 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.

- D. Budgetary Data** - The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds, with the exception of capital projects funds and grant-related special revenue funds, for which project length budgets are adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes.

The City follows the following procedures in establishing its annual budgets:

(1) Around the middle of February each year (legally required by to be completed by April 30th), all departments/activities of the City submit requests for appropriation to the Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.

(2) In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In May of each year, the proposed budget is presented to City Council for review (legally required to be submitted by June 1st). The City adopts the budget ordinance by July 1st of each year. Otherwise, City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

(3) All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multiyear project funds. All amendments must be approved by City Council and 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 City Council. During the fiscal year ended June 30, 2024, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules. Budgeted expenditure appropriations lapse at year-end.

(4) Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year-end lapse and are generally re-appropriated in the succeeding year's budget.

- E. **Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- F. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**

**Deposits and Investments:**

All deposits of the City and ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. The ABC Board considers demand deposits and investments purchased with an original maturity three months or less, that are not limited to use, to be cash and cash equivalents.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The North Carolina Capital Management Trust (NCCMT), which consists of two SEC registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAm by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value.

**Restricted Assets:**

The City has restricted cash and cash equivalents related to (1) debt service reserves that are required to be maintained by the terms of a particular debt issuance (2) unexpended proceeds of debt that may only be expended for the purposes for which the debt was issued; and (3) unspent grant funds and contributions that may only be spent in accordance with the terms specified by the external resource provider. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds (if any) are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

**Restricted Cash**

## Governmental activities:

|  |                  |
|--|------------------|
| General Fund - USDA loan reserve                           | \$ 176,674       |
| Main Street Tax District Fund                              | 93,333           |
| Seventh Avenue Tax District Fund                           | 46,822           |
| Special Revenue Fund                                       | 254,725          |
| Grant Fund - unspent grant proceeds                        | 1,721,689        |
| Governmental Capital Projects Fund - unspent debt proceeds | <u>6,286,956</u> |
| Total governmental activities                              | <u>8,580,199</u> |

## Business-type activities:

|   |                  |
|---|------------------|
| Water and Sewer Fund - customer deposits            | 389,798          |
| Water and Sewer Fund - unspent debt proceeds        | 1,012,245        |
| Parking Services Fund - customer deposits           | 1,075            |
| Stormwater Fund - unspent debt proceeds             | 29,182           |
| Environmental Services Fund - unspent debt proceeds | <u>341,781</u>   |
| Total business-type activities                      | <u>1,774,081</u> |

|                          |                             |
|--------------------------|-----------------------------|
| Total Primary Government | <u><u>\$ 10,354,280</u></u> |
|--------------------------|-----------------------------|

**Ad Valorem Taxes Receivable:**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2023.

**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 combined with management's estimate of potential future collections.

**Lease Receivable:**

The City is a lessor for a noncancellable lease of real property upon which a 3rd party has developed a wireless cellular tower facility. The City recognizes a lease receivable and a deferred inflow of resources for deferred lease receipts in the Water and Sewer enterprise fund and in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The City uses the interest rate it is charging the lessee as the discount rate. When the lease agreement does not specify an interest rate to be charged, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments the City is reasonably certain to receive.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### **Interfund Receivables and Payables:**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### **Inventories and Prepaid Items:**

The inventories of the City are valued at cost (first-in, first-out). The City’s General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Inventories and prepaid items are accounted for using the consumption method in that they are recorded as an asset when purchased and expended/expensed when consumed.

#### **Capital Assets:**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible right-to-use assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the respective fund in the proprietary funds’ statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Intangible right-to-use assets from leasing arrangements are defined by the City as those assets with an initial cost of more than \$100,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. Public domain (“infrastructure”) general capital assets acquired prior to July 1, 2003, consist of the road network (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or received substantial improvements subsequent to July 1, 1980. These assets are reported at estimated historical cost using deflated cost replacement. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City’s capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Capital assets and intangible right-to-use assets of the City are depreciated or amortized using the straight-line method over the following estimated useful lives:

|  | <u>Years</u>      |
|--|-------------------|
| Computer equipment                             | 5                 |
| Computer software                              | 5                 |
| Maintenance and construction equipment         | 10                |
| Trucks and autos                               | 7 - 10            |
| Buildings                                      | 30                |
| Water and sewer lines                          | 50                |
| Infrastructure - roads, sidewalks, and gutters | 25                |
| Infrastructure - bridges                       | 50                |
| Right-to-use lease assets                      | Lease term        |
| Subscription assets                            | Subscription term |

**Deferred Outflows of Resources and Deferred Inflows of Resources:**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion including deferred charges on refunding debt, pension and OPEB related deferrals, retiree benefits paid during the current fiscal year, and contributions made to the pension plans in the current fiscal year.

In addition to liabilities, the statement of net position can also report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes and fees receivable, notes receivable, unearned grant revenue, leases, and pension and OPEB related deferrals.

**Long-Term Obligations:**

In the government-wide and proprietary 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 position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

**Lease liabilities:**

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and right-to-use lease assets in the government-wide and enterprise fund financial statements. The City recognizes lease liabilities and leased right to use assets in accordance with its capitalization policy of \$100,000.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

In the statement of net position, lease assets are reported with other capital assets and lease liabilities are reported with other long-term liabilities as amounts due within one year and amounts due in more than one year.

#### **Subscription-Based Information Technology Arrangements:**

The City has executed contracts that qualify as noncancellable subscription-based information technology arrangements (SBITAs). The City recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide and enterprise fund financial statements. The City recognizes subscription assets resulting from SBITAs with an initial, individual value of \$100,000 or more. At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain implementation and other costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life – which is the shorter of the SBITA term or the useful life of the underlying asset.

Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments:

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option prices that the SBITA is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

#### **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. For the City's

governmentwide and proprietary funds, 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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Position:**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State Statutes.

**Fund Balances:**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

 **Non-Spendable Fund Balance**

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Notes receivable – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.
- Prepaids – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

 **Restricted Fund Balance**

This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

- Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal

year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories 35-J-56 and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

- Restricted for USDA debt reserve – portion of fund balance that is restricted by compliance requirements of USDA loan.
- Restricted for public safety – portion of fund balance that is restricted by grant funds to pay for projects funded for public safety.
- Restricted for economic development – portion of fund balance that is restricted by grant funds to pay for projects funded for economic development.
- Restricted for capital projects – portion of fund balance that is restricted by the revenue source for various capital projects.
- Restricted for human services – portion of fund balance that is restricted by grant funds to pay for projects funded for human services.
- Restricted for parks – portion of fund balance that is restricted by grant funds to pay for projects funded for parks and recreation.

#### **Committed Fund Balance**

This classification includes the portion of fund balance that can only be used for specific purpose imposed by majority vote of City of Hendersonville’s governing body (highest level of decision-making authority) by resolution. Any changes or removal of specific purposes requires majority action by the governing body.

- Committed for general government – portion of fund balance that has been committed to various special appropriations made by the governing board.

#### **Assigned Fund Balance**

This classification includes the portion of total fund balance that the City of Hendersonville governing board has budgeted.

- Committed for subsequent year’s expenditures – portion of the fund balance that is committed by the City council to cover costs in the subsequent year’s budget.

#### **Unassigned Fund Balance**

This classification includes the portion of total fund balance in the General Fund that has not been restricted, committed or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance, as all other funds report amounts for specific purposes.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Defined Benefit Cost-Sharing Plans:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**2. Detail Notes on All Activities and Funds****A. Assets****i. Deposits:**

Total deposits and investments as of June 30, 2024 are summarized as follows:

|   |                      |
|---|----------------------|
| Statement of Net Position                 |                      |
| Cash and cash equivalents                 | \$ 17,443,472        |
| Investments                               | 2,495,851            |
| Restricted cash and cash equivalents      | 10,354,280           |
| Statement of Fiduciary Net Position       | 200,134              |
|   | <u>\$ 30,493,737</u> |
|   |                      |
| Cash deposited with financial institution | \$ 15,774,405        |
| Cash equivalents held by NCCMT            | 12,218,539           |
| Investments                               | 2,495,851            |
| Petty cash                                | 4,942                |
|   | <u>\$ 30,493,737</u> |

At June 30, 2024, the City's deposits had a carrying amount of \$15,774,405 and a bank balance of \$16,399,349. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remainder by collateral held under the Pooling Method.

At June 30, 2024, the City had \$4,942 cash on hand.

At June 30, 2024, the ABC Board's deposits had a carrying amount of \$1,659,658 and a bank balance of \$1,656,181. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method.

**ii. Investments:**

As of June 30, 2024, the City had the following investments and maturities:

| <b>Investment Type</b>  | <b>Valuation<br/>Measurement<br/>Method</b> | <b>Fair<br/>Value</b> | <b>Maturity<br/>Date</b> | <b>Rating</b> |
|---|---|-----------------------|--------------------------|---------------|
| Federal Home Loan Banks (FHLB)<br>Callable Bonds                  | Fair Value-Level 2                          | \$ 469,805            | 3/24/2026                | AA+           |
| US Treasury Note  | Fair Value-Level 1                          | 1,019,083             | 9/30/2027                | AAA           |
| US Treasury Note  | Fair Value-Level 1                          | 986,620               | 2/15/2026                | AAA           |
| Total investments   |   |                       |                          |               |
| Duke Energy Stock   | Fair Value-Level 1                          | <u>20,343</u>         | N/A                      | N/A           |
| Total investments   |   | <u>\$ 2,495,851</u>   |                          |               |
| North Carolina Capital Management Trust -<br>Government Portfolio | Fair Value-Level 1                          | <u>\$ 12,218,539</u>  | None                     | AAAm          |

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is considered a cash equivalent by the City.

The City's investments that fall within Level 1 of the fair value hierarchy are valued using directly observable, quoted prices (unadjusted) in active markets for the identical securities. The City's investments that fall within Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Level 2 inputs other than quoted prices that are observable may include observable and commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, default rates, inputs that are derived principally from or corroborated by observable market data, and similar information.

**Interest Rate Risk:**

The City has a formal investment policy that prioritizes the goals of investment activities, within compliance of North Carolina General Statutes, in the order of (1) safety, (2) liquidity, and (3) return. The Finance Director is the designated investment officer.

**Custodial Credit Risk:**

Deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, 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, these deposits are considered to be held by the City's agent in its name. The amount of the 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 Method 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. 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. 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. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance.

### iii. Receivables:

Receivables at the government-wide level at June 30, 2024 were as follows:

|   | <b>General</b>      | <b>Grants</b>       | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental</b> | <b>Total<br/>Governmental</b> |
|---|---------------------|---------------------|-----------------------------|----------------------------------|-------------------------------|
| <b>Receivables</b>                            |                     |                     |                             |                                  |                               |
| Taxes   | \$ 491,304          | \$ -                | \$ -                        | \$ 28,583                        | \$ 519,887                    |
| Notes   | 455,484             | 487,500             | -                           | -                                | 942,984                       |
| Accounts                                      | 298,758             | -                   | -                           | 97                               | 298,855                       |
| Due from other governments                    | 3,015,549           | 1,758,888           | 235,514                     | 102,768                          | 5,112,719                     |
| Less: allowance for uncollectible<br>accounts | (268,506)           | -                   | -                           | (15,804)                         | (284,310)                     |
| Net receivables                               | <u>\$ 3,992,589</u> | <u>\$ 2,246,388</u> | <u>\$ 235,514</u>           | <u>\$ 115,644</u>                | <u>\$ 6,590,135</u>           |

|   | <b>Water and<br/>Sewer</b> | <b>Parking<br/>Services</b> | <b>Nonmajor<br/>Enterprise</b> | <b>Total<br/>Business-Type</b> |
|---|----------------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>Receivables</b>                            |                            |                             |                                |                                |
| Accounts                                      | \$ 3,577,454               | \$ 212,577                  | \$ 470,460                     | \$ 4,260,491                   |
| Leases  | 732,910                    | -                           | -                              | 732,910                        |
| Due from other governments                    | 2,063,004                  | -                           | 342,318                        | 2,405,322                      |
| Less: allowance for uncollectible<br>accounts | (353,830)                  | (155,348)                   | (52,746)                       | (561,924)                      |
| Net receivables                               | <u>\$ 6,019,538</u>        | <u>\$ 57,229</u>            | <u>\$ 760,032</u>              | <u>\$ 6,836,799</u>            |

Due from other governments that is owed to the City consists of the following:

|                        | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|------------------------|------------------------------------|-------------------------------------|
| Local option sales tax | \$ 1,691,319                       | \$ -                                |
| Sales tax refunds      | 976,305                            | -                                   |
| Utility sales taxes    | 329,167                            | -                                   |
| SRF loan proceeds      | -                                  | 2,063,004                           |
| Fed/State grants       | 2,005,050                          | 339,237                             |
| Other                  | 110,878                            | 3,081                               |
| Total                  | <u>\$ 5,112,719</u>                | <u>\$ 2,405,322</u>                 |

### Notes Receivable

The City entered into two (2) notes receivable during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 began in January 2020 and will continue through maturity of the note in December 2027. The balance on this note at June 30, 2024, is \$87,500. The second note was for \$500,000 and does not bear interest. A payment of \$100,000 was made during the current fiscal year and then annual installments of \$50,000 are to begin in December 2027 and continue through December 2034. The balance on this note at June 30, 2024, is \$400,000.

In November 2020, the City entered into an economic development agreement with the Economic Investment Fund of Henderson County, Inc. (the "Fund") and Henderson County, North Carolina (the "County") related to the purchase of property by the Fund. Pursuant to the economic development agreement, a total of approximately \$2.3 million was loaned to the Fund with 50% coming from the City and 50% coming from the County. The proceeds from the note are being used to finance the purchase, marketing, and development of the property for the purpose of subsequently selling the property to industries. The note bears interest at a variable rate equal to the Wall Street Journal Prime Rate as published in the Wall Street Journal at the anniversary of the date of the note. The interest rate at each anniversary will be the rate for the one (1) year until the next anniversary and the rate is reset. As of June 30, 2024, the applicable interest rate is 7.75%. There is no scheduled amortization schedule for the note with regard to principal as amounts will be repaid to the City and to the County as parcels of the property are sold by the Fund. The entire principal balance is due and payable by the Fund by February 2031. The balance on this note at June 30, 2024, is \$455,484.

### Lease Receivable

During the fiscal year, the City had an active noncancelable lease agreement as lessor. The City has leased real property to a third party for the development of a cellular telecommunications tower. The City receives monthly payments in the amount of \$1,980 which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the City determined an incremental borrowing rate for the lease of 3.07% which has been used as the discount rate for the lease. For the current year, the City recognized \$21,538 in lease revenue and \$22,571 in interest revenue related to the lease. As of June 30, 2024, the City's receivable for lease payments was \$732,910, which is recorded in the City's Water and Sewer Fund (and business-type

activities in the government-wide statement of net position). The City reports a corresponding deferred inflow of resources associated with this lease that will be recognized over the lease term that ends on November 15, 2055. This deferred inflow of resources has a balance of \$675,682 as of June 30, 2024.

#### iv. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

|   | Beginning<br>Balance | Additions  | Retirements | Transfers   | Ending<br>Balance    |
|---|----------------------|------------|-------------|-------------|----------------------|
| <b>Governmental Activities</b>              |                      |            |             |             |                      |
| <b>Non-Depreciable Assets:</b>              |                      |            |             |             |                      |
| Land  | \$ 5,114,207         | \$ 230,488 | \$ 565,600  | \$ -        | \$ 4,779,095         |
| Construction in progress                    | 6,381,213            | 19,139,833 | -           | (4,721,462) | 20,799,584           |
| Total capital assets, not being depreciated | 11,495,420           | 19,370,321 | 565,600     | (4,721,462) | 25,578,679           |
| <b>Depreciable Assets:</b>                  |                      |            |             |             |                      |
| Buildings and improvements                  | 26,080,600           | -          | -           | 2,433,341   | 28,513,941           |
| Other improvements                          | 5,048,070            | -          | -           | 2,288,121   | 7,336,191            |
| Machinery and equipment                     | 11,745,881           | 1,365,389  | 1,449,260   | -           | 11,662,010           |
| Software                                    | 129,170              | -          | -           | -           | 129,170              |
| Infrastructure                              | 19,357,607           | 371,500    | -           | -           | 19,729,107           |
| Total capital assets, being depreciated     | 62,361,328           | 1,736,889  | 1,449,260   | 4,721,462   | 67,370,419           |
| <b>Less Accumulated Depreciation:</b>       |                      |            |             |             |                      |
| Buildings and improvements                  | 6,590,482            | 829,056    | -           | -           | 7,419,538            |
| Other improvements                          | 4,002,231            | 70,946     | -           | -           | 4,073,177            |
| Machinery and equipment                     | 7,258,257            | 946,502    | 1,390,237   | -           | 6,814,522            |
| Software                                    | 129,170              | -          | -           | -           | 129,170              |
| Infrastructure                              | 10,887,971           | 556,000    | -           | -           | 11,443,971           |
| Total accumulated depreciation              | 28,868,111           | 2,402,504  | 1,390,237   | -           | 29,880,378           |
| <b>Amortizable Assets:</b>                  |                      |            |             |             |                      |
| Right-to-use lease asset (equipment)        | 176,053              | 4,943      | -           | -           | 180,996              |
| Right-to-use subscription assets            | 293,039              | -          | 129,610     | -           | 163,429              |
| Total capital assets, being amortized       | 469,092              | 4,943      | 129,610     | -           | 344,425              |
| <b>Less Accumulated Amortization:</b>       |                      |            |             |             |                      |
| Right-to-use lease asset (equipment)        | 12,577               | 21,706     | -           | -           | 34,283               |
| Right-to-use subscription assets            | 91,255               | 98,766     | 129,610     | -           | 60,411               |
| Total accumulated amortization              | 103,832              | 120,472    | 129,610     | -           | 94,694               |
| Governmental capital asset activities, net  | <u>\$ 45,353,897</u> |            |             |             | <u>\$ 63,318,451</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

|                                   |    |                  |
|-----------------------------------|----|------------------|
| General government                | \$ | 435,806          |
| Public safety                     |    | 1,211,775        |
| Transportation                    |    | 611,083          |
| Economic and physical development |    | 18,050           |
| Cultural and recreation           |    | 125,790          |
| Total                             | \$ | <u>2,402,504</u> |

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Retirements</b> | <b>Transfers</b>    | <b>Ending Balance</b> |
|---|------------------------------|-------------------|--------------------|---------------------|-----------------------|
| <b>Water and Sewer Fund</b>                   |                              |                   |                    |                     |                       |
| <b>Non-Depreciable Assets:</b>                |                              |                   |                    |                     |                       |
| Land  | \$ 3,366,820                 | \$ 1,744,401      | \$ 7,758           | \$ -                | \$ 5,103,463          |
| Construction in progress                      | 33,913,640                   | 16,060,620        | -                  | (13,103,259)        | 36,871,001            |
| Total capital assets, not being depreciated   | <u>37,280,460</u>            | <u>17,805,021</u> | <u>7,758</u>       | <u>(13,103,259)</u> | <u>41,974,464</u>     |
| <b>Depreciable Assets:</b>                    |                              |                   |                    |                     |                       |
| Buildings                                     | 1,944,239                    | -                 | -                  | -                   | 1,944,239             |
| Plant and distribution systems                | 129,640,995                  | 6,853,871         | -                  | 13,103,259          | 149,598,125           |
| Machinery and equipment                       | 21,504,081                   | 968,024           | 336,496            | -                   | 22,135,609            |
| Other improvements                            | 217,835                      | -                 | -                  | -                   | 217,835               |
| Software                                      | 86,178                       | -                 | -                  | -                   | 86,178                |
| Total capital assets, being depreciated       | <u>153,393,328</u>           | <u>7,821,895</u>  | <u>336,496</u>     | <u>13,103,259</u>   | <u>173,981,986</u>    |
| <b>Less Accumulated Depreciation:</b>         |                              |                   |                    |                     |                       |
| Buildings                                     | 999,243                      | 65,373            | -                  | -                   | 1,064,616             |
| Plant and distribution systems                | 51,657,288                   | 3,305,561         | -                  | -                   | 54,962,849            |
| Machinery and equipment                       | 18,230,705                   | 794,795           | 334,611            | -                   | 18,690,889            |
| Other improvements                            | 70,323                       | 16,978            | -                  | -                   | 87,301                |
| Software                                      | 63,943                       | 7,835             | -                  | -                   | 71,778                |
| Total accumulated depreciation                | <u>71,021,502</u>            | <u>4,190,542</u>  | <u>334,611</u>     | <u>-</u>            | <u>74,877,433</u>     |
| <b>Amortizable Assets:</b>                    |                              |                   |                    |                     |                       |
| Right-to-use lease asset (equipment)          | 67,521                       | 4,943             | -                  | -                   | 72,464                |
| Right-to-use subscription assets              | 552,079                      | -                 | 129,609            | -                   | 422,470               |
| Total capital assets, being amortized         | <u>619,600</u>               | <u>4,943</u>      | <u>129,609</u>     | <u>-</u>            | <u>494,934</u>        |
| <b>Less Accumulated Amortization:</b>         |                              |                   |                    |                     |                       |
| Right-to-use lease asset (equipment)          | 6,186                        | 14,108            | -                  | -                   | 20,294                |
| Right-to-use subscription assets              | 133,367                      | 107,704           | 129,609            | -                   | 111,462               |
| Total accumulated amortization                | <u>139,553</u>               | <u>121,812</u>    | <u>129,609</u>     | <u>-</u>            | <u>131,756</u>        |
| Water and sewer capital asset activities, net | <u>\$ 120,132,333</u>        |                   |                    |                     | <u>\$ 141,442,195</u> |

|  | Beginning<br>Balance | Additions | Retirements | Transfers | Ending<br>Balance    |
|--|----------------------|-----------|-------------|-----------|----------------------|
| <b>Parking Services Fund</b>                   |                      |           |             |           |                      |
| <b>Non-Depreciable Assets:</b>                 |                      |           |             |           |                      |
| Land   | \$ 1,912,656         | \$ -      | \$ -        | \$ -      | \$ 1,912,656         |
| Total capital assets, not being depreciated    | 1,912,656            | -         | -           | -         | 1,912,656            |
| <b>Depreciable Assets:</b>                     |                      |           |             |           |                      |
| Buildings and improvements                     | 10,736,359           | -         | -           | -         | 10,736,359           |
| Machinery and equipment                        | 403,937              | 6,530     | -           | -         | 410,467              |
| Total capital assets, being depreciated        | 11,140,296           | 6,530     | -           | -         | 11,146,826           |
| <b>Less Accumulated Depreciation:</b>          |                      |           |             |           |                      |
| Buildings and improvements                     | 119,293              | 357,879   | -           | -         | 477,172              |
| Machinery and equipment                        | 10,081               | 74,022    | -           | -         | 84,103               |
| Total accumulated depreciation                 | 129,374              | 431,901   | -           | -         | 561,275              |
| Parking Services capital asset activities, net | <u>\$ 12,923,578</u> |           |             |           | <u>\$ 12,498,207</u> |

|  | Beginning<br>Balance | Additions | Retirements | Transfers | Ending<br>Balance |
|--|----------------------|-----------|-------------|-----------|-------------------|
| <b>Environmental Services Fund</b>                   |                      |           |             |           |                   |
| <b>Non-Depreciable Assets:</b>                       |                      |           |             |           |                   |
| Land   | \$ 11,134            | \$ -      | \$ -        | \$ -      | \$ 11,134         |
| <b>Depreciable Assets:</b>                           |                      |           |             |           |                   |
| Machinery and equipment                              | 2,365,800            | 320,866   | 105,262     | -         | 2,791,928         |
| Total capital assets, being depreciated              | 2,376,934            | 320,866   | 105,262     | -         | 2,803,062         |
| <b>Less Accumulated Depreciation:</b>                |                      |           |             |           |                   |
| Machinery and equipment                              | 1,680,250            | 116,578   | 105,262     | -         | 1,902,090         |
| Total accumulated depreciation                       | 1,680,250            | 116,578   | 105,262     | -         | 1,902,090         |
| Environmental Services capital asset activities, net | <u>\$ 696,684</u>    |           |             |           | <u>\$ 900,972</u> |

|   | Beginning<br>Balance | Additions  | Retirements | Transfers | Ending<br>Balance   |
|---|----------------------|------------|-------------|-----------|---------------------|
| <b>Stormwater Fund</b>                      |                      |            |             |           |                     |
| <b>Non-Depreciable Assets:</b>              |                      |            |             |           |                     |
| Land  | \$ 311,006           | \$ 207,272 | \$ -        | \$ -      | \$ 518,278          |
| Construction in progress                    | 24,319               | 904,246    | -           | -         | 928,565             |
| Total capital assets, not being depreciated | 335,325              | 1,111,518  | -           | -         | 1,446,843           |
| <b>Depreciable Assets:</b>                  |                      |            |             |           |                     |
| Buildings and improvements                  | 533,366              | -          | -           | -         | 533,366             |
| Other improvements                          | 563,282              | 20,990     | -           | -         | 584,272             |
| Machinery and equipment                     | 29,473               | 124,522    | -           | -         | 153,995             |
| Total capital assets, being depreciated     | 1,126,121            | 145,512    | -           | -         | 1,271,633           |
| <b>Less Accumulated Depreciation:</b>       |                      |            |             |           |                     |
| Buildings and improvements                  | 82,301               | 17,877     | -           | -         | 100,178             |
| Other improvements                          | 104,042              | 56,919     | -           | -         | 160,961             |
| Machinery and equipment                     | 23,823               | 5,220      | -           | -         | 29,043              |
| Total accumulated depreciation              | 210,166              | 80,016     | -           | -         | 290,182             |
| Stormwater capital asset activities, net    | <u>\$ 1,251,280</u>  |            |             |           | <u>\$ 2,428,294</u> |

Ongoing construction in progress in the City's governmental activities is primarily related to Fire Station One, City Hall and Operations Renovation, and 7<sup>th</sup> Avenue Streetscape project. The City had remaining commitments on these projects in the amount of approximately \$3,400,000 as of June 30, 2024.

Ongoing construction in progress in the City's business-type activities is primarily related to the French Broad River Intake and Fleetwood Water System Improvements in the amount of approximately \$3,000,000 as of June 30, 2024.

## **B. Deferred Outflows of Resources**

Deferred outflows of resources at the government-wide level at June 30, 2024 were as follows:

| <u>Source</u>  | <b>Governmental Business-Type</b> |                     | <u>Total</u>         |
|--|-----------------------------------|---------------------|----------------------|
|  | <u>Activities</u>                 | <u>Activities</u>   |                      |
| Contributions to LGERS pension in current year                             | \$ 1,513,438                      | \$ 1,108,904        | \$ 2,622,342         |
| LEOSSA benefit payments and admin expenses<br>paid after December 31, 2023 | 60,761                            | -                   | 60,761               |
| Pension deferrals (LGERS)  | 4,225,478                         | 3,096,029           | 7,321,507            |
| Pension deferrals (LEOSSA)   | 235,074                           | -                   | 235,074              |
| OPEB benefit payments and admin costs paid<br>in current year              | 121,054                           | 88,673              | 209,727              |
| OPEB deferrals   | 460,159                           | 337,068             | 797,227              |
| Total  | <u>\$ 6,615,964</u>               | <u>\$ 4,630,674</u> | <u>\$ 11,246,638</u> |

**C. Liabilities****i. Payables**

Payables at the government-wide level at June 30, 2024 were as follows:

|                                   | <b>Accounts<br/>Payable</b> | <b>Retainage<br/>Payable</b> | <b>Salaries and<br/>Benefits</b> | <b>Total</b>        |
|-----------------------------------|-----------------------------|------------------------------|----------------------------------|---------------------|
| Governmental Activities           |                             |                              |                                  |                     |
| General Fund                      | \$ 837,000                  | \$ -                         | \$ 473,209                       | \$ 1,310,209        |
| Grants Fund                       | 47,951                      | -                            | -                                | 47,951              |
| Governmental Capital Project Fund | 2,057,886                   | 623,800                      | -                                | 2,681,686           |
| Internal Service Fund             | 40,213                      | -                            | -                                | 40,213              |
| Nonmajor Governmental Funds       | 31,383                      | -                            | 10,551                           | 41,934              |
| Total governmental activities     | <u>\$ 3,014,433</u>         | <u>\$ 623,800</u>            | <u>\$ 483,760</u>                | <u>\$ 4,121,993</u> |
| Business-type Activities          |                             |                              |                                  |                     |
| Water and Sewer Fund              | \$ 4,750,928                | \$ -                         | \$ 217,267                       | \$ 4,968,195        |
| Parking Services Fund             | 26,426                      | -                            | 2,565                            | 28,991              |
| Nonmajor Enterprise Funds         | 748,943                     | -                            | 42,570                           | 791,513             |
| Total governmental activities     | <u>\$ 5,526,297</u>         | <u>\$ -</u>                  | <u>\$ 262,402</u>                | <u>\$ 5,788,699</u> |

**ii. Pension Plan Obligations:****□ Local Governmental Employees' Retirement System**

*Plan Description.* The City is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30

years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2024 was 14.04% of compensation for law enforcement officers and 12.85% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$2,662,342 for the year ended June 30, 2024.

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2024, the City reported a liability of \$16,179,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measured

June 30, 2023), the City's proportion was 0.24429%, which was an increase of .01187% from its proportion as of June 30, 2023 (measured as of June 30, 2022). For the year ended June 30, 2024, the City recognized pension expense of \$4,734,206.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 1,802,902                                  | \$ 38,813                                    |
| Changes of assumptions  | 687,546                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                          | 4,330,406                                     | -  |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 500,653                                       | 126,973                                      |
| City contributions subsequent to the measurement date   | <u>2,622,342</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 9,943,849</u>                           | <u>\$ 165,786</u>                            |

\$2,622,342 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending<br/>June 30</b> | <b>Amount</b>       |
|--------------------------------|---------------------|
| 2025                           | \$ 2,622,443        |
| 2026                           | 1,414,120           |
| 2027                           | 2,936,046           |
| 2028                           | <u>183,112</u>      |
| Total                          | <u>\$ 7,155,721</u> |

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.25 percent  |
| Salary increases          | 3.25-8.25 percent   |
| Investment rate of return | 6.50 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The

current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term<br/>Real Rate of Return</u> |
|----------------------|--------------------------|--|
| Fixed Income         | 33.0%                    | 0.9%                                     |
| Global Equity        | 38.0%                    | 6.5%                                     |
| Real Estate          | 8.0%                     | 5.9%                                     |
| Alternatives         | 8.0%                     | 8.2%                                     |
| Credit               | 7.0%                     | 5.0%                                     |
| Inflation Protection | 6.0%                     | 2.7%                                     |
| Total                | <u>100.0%</u>            |  |

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.25%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments

was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/>(5.50%)</b> | <b>Discount<br/>Rate<br/>(6.50%)</b> | <b>1%<br/>Increase<br/>(7.50%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 28,030,760                      | \$ 16,179,738                        | \$ 6,422,866                       |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

#### **Law Enforcement Officers' Special Separation Allowance**

*Plan Description.* The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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 12D 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 Separation Allowance. At June 30, 2023 (valuation date), the Separation Allowance's membership consisted of:

|   |                  |
|---|------------------|
| Inactive members receiving benefits                                     | 5                |
| Terminated plan members entitled to,<br>but not yet receiving, benefits | -                |
| Active plan members   | <u>49</u>        |
| Total   | <u><u>54</u></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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meet the criteria which are outlined in GASB Statement 73.

**Actuarial Assumptions:**

The entry age normal actuarial cost method was used in the June 30, 2023 valuation. The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.50 percent  |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate    | 3.77%   |

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality rates are based on the RP-2014 mortality tables base rates projected to the valuation date using MP-2015.

**Contributions:**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$75,285 as benefits came due for the reporting period.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2024, the City reported a total pension liability of \$1,568,520. The total pension liability was measured as of December 31, 2023 based on a June 30, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$10,742.

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                                       | \$ 41,693                                     | \$ 35,189                                    |
| Changes of assumptions and other inputs  | 193,381                                       | 168,271                                      |
| Benefits payments and administrative expenses made<br>subsequent to the measurement date | <u>60,761</u>                                 | <u>-</u>                                     |
| Total  | <u>\$ 295,835</u>                             | <u>\$ 203,460</u>                            |

\$60,761 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, and changes of assumptions and other inputs will be recognized as a decrease of the total pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending<br/>June 30</b> | <b>Amount</b>    |
|--------------------------------|------------------|
| 2025                           | \$ 34,455        |
| 2026                           | 26,337           |
| 2027                           | (30,702)         |
| 2028                           | (5,677)          |
| 2029                           | 7,201            |
| Thereafter                     | <u>-</u>         |
| Total                          | <u>\$ 31,614</u> |

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.77 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77 percent) or 1-percentage-point higher (4.77 percent) than the current rate:

|                         | <b>1% Decrease<br/>(2.77%)</b> | <b>Discount Rate<br/>(3.77%)</b> | <b>1% Increase<br/>(4.77%)</b> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | <u>\$ 1,710,910</u>            | <u>\$ 1,568,520</u>              | <u>\$ 1,440,447</u>            |

**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**

|   |                     |
|---|---------------------|
| Total pension liability as of December 31, 2022   | \$ 1,445,194        |
| Service cost                                      | 63,156              |
| Interest on the total pension liability           | 56,234              |
| Changes of benefit terms                          | -                   |
| Difference between expected and actual experience | 42,487              |
| Changes of assumptions or other inputs            | 36,734              |
| Benefit payments                                  | <u>(75,285)</u>     |
| Total pension liability as of December 31, 2023   | <u>\$ 1,568,520</u> |

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

**Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (the "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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. The City contributed \$143,723 for law enforcement officers for the reporting year. No amounts were forfeited.

**Supplemental Retirement Income Plan for Employees Not Engaged in Law Enforcement**

Full-time employees not engaged in law enforcement are eligible to participate in the Supplemental Retirement Plan under Internal Revenue Code Section 401(k). Under this plan, an employee may contribute a percentage of their annual gross salary as limited by federal tax laws. City of Hendersonville made a matching contribution of an amount up to 2% of annual gross pay. The City contributed \$160,738 for general employees for the reporting year. No amounts were forfeited.

□ **Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions**

Following is information related to the proportionate share and pension expense for all pension plans:

|   | <u>LGERS</u>        | <u>LEOSSA</u>     | <u>TOTAL</u>         |
|---|---------------------|-------------------|----------------------|
| Proportionate share of net pension liability (asset)  | \$ 16,179,738       | N/A               | \$ 16,179,738        |
| Proportion of the net pension liability (asset)   | 0.2443%             | N/A               | N/A                  |
| Total pension liability   | N/A                 | \$ 1,568,520      | 1,568,520            |
| Pension expense (benefit)   | 4,734,206           | (10,742)          | 4,723,464            |
| <u>Deferred Outflows of Resources:</u>  |                     |                   |                      |
| Differences between expected and actual experience  | \$ 1,802,902        | \$ 41,693         | \$ 1,844,595         |
| Changes of assumptions  | 687,546             | 193,381           | 880,927              |
| Net difference between projected and actual earnings on pension plan investments                          | 4,330,406           | -                 | 4,330,406            |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 500,653             | -                 | 500,653              |
| City contributions (LGERS)/ benefit payments (LEOSSA) made subsequent to the measurement date             | <u>2,622,342</u>    | <u>60,761</u>     | <u>2,683,103</u>     |
| Total   | <u>\$ 9,943,849</u> | <u>\$ 295,835</u> | <u>\$ 10,239,684</u> |
| <u>Deferred Inflows of Resources:</u>   |                     |                   |                      |
| Differences between expected and actual experience  | \$ 38,813           | \$ 35,189         | \$ 74,002            |
| Changes of assumptions  | -                   | 168,271           | 168,271              |
| Net difference between projected and actual earnings on pension plan investments                          | -                   | -                 | -                    |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>126,973</u>      | <u>-</u>          | <u>126,973</u>       |
| Total   | <u>\$ 165,786</u>   | <u>\$ 203,460</u> | <u>\$ 369,246</u>    |

□ **Other Postemployment Benefits—Healthcare Benefits**

*Plan Description.* Under the terms of a City resolution, the City administers a single employer defined benefit Healthcare Benefits Plan (the “HCB Plan” or the “OPEB Plan”). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

As of June 1, 1988, the HCB Plan provides postemployment health care benefits to retirees of the City, provided they participate in LGERS and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental Plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the HCB Plan.

On August 8, 1985, the 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.

Membership of the OPEB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

|   |                   |
|---|-------------------|
| Retirees participants and beneficiaries | 17                |
| Active plan members                     | <u>253</u>        |
| Total                                   | <u><u>270</u></u> |

*Contributions.* The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. For the fiscal year ended June 30, 2024, the monthly premium for retirees was \$1,022 for the PPO plan and \$941 for the HSA plan. The City's retirees may continue with dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

During the year ended June 30, 2024, the City made contributions/benefit payments of \$209,727. The City provides healthcare coverage by paying a premium to the North Carolina League of Municipalities Health Benefits Trust. The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

*Total OPEB Liability.* City of Hendersonville's total OPEB liability of \$2,935,145 as of June 30, 2024 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

*Actuarial Assumptions and Other Inputs.* The Total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |   |
|-----------------------------|---|
| Inflation                   | 2.50 percent  |
| Salary increases            | 3.25 to 8.25 percent, including inflation and productivity factor |
| Healthcare cost trend rates | 7.00 percent for 2024 decreasing to 4.5 percent in 2031           |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**Schedule of Changes in Total OPEB Liability**

|   |                     |
|---|---------------------|
| Total OPEB liability as of June 30, 2022          | \$ 3,883,955        |
| Service cost                                      | 132,752             |
| Interest  | 138,401             |
| Changes in benefit terms                          | -                   |
| Difference between expected and actual experience | (965,070)           |
| Changes in assumptions or other inputs            | 11,594              |
| Benefit payments                                  | <u>(266,487)</u>    |
| Total OPEB liability as of June 30, 2023          | <u>\$ 2,935,145</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69 percent to 3.86 percent.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

|                      | 1% Decrease<br>(2.86%) | Discount Rate<br>(3.86%) | 1% Increase<br>(4.86%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 3,210,514           | \$ 2,935,145             | \$ 2,694,258           |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | 1% Decrease  | Current      | 1% Increase  |
|----------------------|--------------|--------------|--------------|
| Total OPEB liability | \$ 2,669,732 | \$ 2,935,145 | \$ 3,256,282 |

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$241,042. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                                   | \$ 357,396                                    | \$ 878,640                                   |
| Changes of assumptions or other inputs   | 439,831                                       | 564,630                                      |
| Benefit payments and administrative costs paid<br>subsequent to the measurement date | <u>209,727</u>                                | <u>-</u>                                     |
| Total  | <u>\$ 1,006,954</u>                           | <u>\$ 1,443,270</u>                          |

\$209,727 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ending<br/>June 30</b> | <b>Amount</b>       |
|--------------------------------|---------------------|
| 2025                           | \$ (32,111)         |
| 2026                           | (32,111)            |
| 2027                           | (32,111)            |
| 2028                           | (25,386)            |
| 2029                           | (97,441)            |
| Thereafter                     | <u>(426,890)</u>    |
| Total                          | <u>\$ (646,050)</u> |

#### Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but no less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Benefit Plan. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants nor does the City have any liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined

as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

**ii. Long-Term Obligations:**

The City issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. These issuances were obtained/issued through direct borrowings or direct placements. General obligation refunding bonds (GORB) are direct obligations and pledge the full faith and credit of the City. Revenue bonds and limited obligation bonds are obligations of the City that are secured by certain pledged revenue streams of the City. State Revolving Fund (SRF) loans are loans from the Clean Water State Revolving Fund and Drinking Water State Revolving Fund for costs associated with water/sewer systems improvements. Debt service payments on revenue bonds and SRF loans are generally payable from the revenues of the water/sewer system and any other monies due to the City from the State may be withheld by the State and applied to payment if the City fails to pay any payment of principal or interest. The installment purchase contracts and leases are generally collateralized by the assets being financed, are not secured by the taxing power of the City, and are subject to acceleration clauses in an event of default (nonpayment, etc.).

Details on the City's outstanding long-term debt as of June 30, 2024, are as follows:

**Leases**

The City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

In January 2023, the City entered into a 60-month lease as lessee for the right to use office equipment. An initial lease liability was recorded in the amount of \$135,042. A lease modification adjustment of \$9,887 was recorded during the year ending June 30, 2024. As of year-end, the value of the lease liability is \$107,210. The City is required to make monthly fixed payments of \$2,408. The lease has an interest rate of 2.6820%. The value of the right-to-use asset (equipment) as of year-end is \$144,929 with accumulated amortization of \$38,355. This lease was split between the City's governmental activities and the Water and Sewer Fund (business-type activities).

In March 2023, the City entered into a 60-month lease as lessee for the right to use equipment. An initial lease liability was recorded in the amount of \$108,532. As of year-end, the value of the lease liability is \$80,729. The City is required to make monthly fixed payments of \$1,922. The lease has an interest rate of 2.4890%. The value of the right-to-use asset (equipment) as of year-end is \$108,532 with accumulated amortization of \$27,193.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

| <b>Year Ending<br/>June 30</b> | <b>Governmental Activities</b> |                 |                   |
|--------------------------------|--------------------------------|-----------------|-------------------|
|                                | <b>Principal</b>               | <b>Interest</b> | <b>Total</b>      |
| 2025                           | \$ 35,738                      | \$ 3,029        | \$ 38,767         |
| 2026                           | 36,666                         | 2,100           | 38,766            |
| 2027                           | 37,619                         | 1,148           | 38,767            |
| 2028                           | 24,311                         | 224             | 24,535            |
| <b>Total</b>                   | <b>\$ 134,334</b>              | <b>\$ 6,501</b> | <b>\$ 140,835</b> |

| <b>Year Ending<br/>June 30</b> | <b>Business-type Activities</b> |                 |                  |
|--------------------------------|---------------------------------|-----------------|------------------|
|                                | <b>Principal</b>                | <b>Interest</b> | <b>Total</b>     |
| 2025                           | \$ 14,446                       | \$ 1,261        | \$ 15,707        |
| 2026                           | 14,838                          | 869             | 15,707           |
| 2027                           | 15,241                          | 466             | 15,707           |
| 2028                           | 9,080                           | 81              | 9,161            |
| <b>Total</b>                   | <b>\$ 53,605</b>                | <b>\$ 2,677</b> | <b>\$ 56,282</b> |

□ **Subscription-Based Information Technology Arrangements (SBITAs)**

As of June 30, 2024, City of Hendersonville, NC had 3 active subscriptions. The subscriptions have payments that range from \$34,438 to \$125,797 and interest rates that range from 2.0240% to 2.6820%. As of June 30, 2024, the total combined value of the subscription liability is \$424,349, and the total combined value of the short-term subscription liability is \$79,159. The combined value of the right to use asset, as of June 30, 2024 of \$845,118 with accumulated amortization of \$408,291.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

| <b>SBITA Term</b> | <b>Payment Terms</b> | <b>Interest Rate</b> | <b>Asset Amount</b> | <b>Accumulated Amortization</b> |
|-------------------|----------------------|----------------------|---------------------|---------------------------------|
| 90 months         | \$51,350 / yearly    | 2.1840%              | \$ 422,473          | \$ 116,292                      |
| 20 months         | \$35,967 / quarterly | 2.0240%              | 259,220             | 259,220                         |
| 60 months         | \$34,438 / yearly    | 2.6820%              | 163,425             | 32,779                          |
|                   |                      |                      | <u>\$ 845,118</u>   | <u>\$ 408,291</u>               |

**Governmental Activities**

| <b>Year Ending<br/>June 30</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>      |
|--------------------------------|------------------|-----------------|-------------------|
| 2025                           | \$ 31,809        | \$ 2,629        | \$ 34,438         |
| 2026                           | 32,662           | 1,776           | 34,438            |
| 2027                           | 33,538           | 900             | 34,438            |
| 2028                           | 5                | -               | 5                 |
| Total                          | <u>\$ 98,014</u> | <u>\$ 5,305</u> | <u>\$ 103,319</u> |

**Business-type Activities**

| <b>Year Ending<br/>June 30</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------------------|-------------------|------------------|-------------------|
| 2025                           | \$ 47,350         | \$ 7,121         | \$ 54,471         |
| 2026                           | 50,019            | 6,093            | 56,112            |
| 2027                           | 52,795            | 5,001            | 57,796            |
| 2028                           | 55,682            | 3,848            | 59,530            |
| 2029                           | 58,684            | 261              | 58,945            |
| 2030                           | 61,805            | 1,350            | 63,155            |
| Total                          | <u>\$ 326,335</u> | <u>\$ 23,674</u> | <u>\$ 350,009</u> |

□ **Installment Purchase Contracts**

The City has entered into various notes payable:

|   |              |
|---|--------------|
| \$6,000,000 Installment Purchase Contract with Truist issued in April 2013, due in semi-annual installments of \$150,000 beginning on October 5, 2013 through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.  | \$ 2,700,000 |
| \$242,500 Installment Purchase Contract with Entegra issued in June 2017, due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.  | 375,120      |
| \$882,000 Installment Purchase Contract with HomeTrust issued in August 2023, due in semi-annual installments of \$72,676 beginning February 28, 2024 through August 30, 2030, including interest at 3.93% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment and were shared by the City's governmental (55%) and business-type activities (45%).                                      | 826,656      |
| \$902,000 Installment Purchase Contract with HomeTrust issued in August 2023, due in semi-annual installments of \$122,602 beginning February 28, 2024 through August 30, 2027, including interest at 3.80% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment and were shared by the City's governmental (91%) and business-type activities (9%).                                      | 796,536      |
| \$468,439 Installment Purchase Contract with US Bank in June 2020, due in annual installments of \$45,034 to \$48,696 beginning December 19, 2020 through December 19, 2025, plus interest at 1.90% due semi-annually. The proceeds of this issue were used to purchase three freightliner street sweepers.   | 208,390      |
| \$768,161 Installment Purchase Contract with Wells Fargo issued in May 2021, due in annual installments of \$61,595 beginning November 5, 2021 through May 5, 2036, plus interest at 2.47% due semi-annually. The proceeds of this issue were used to purchase a fire truck and related equipment.  | 636,286      |
| \$1,019,070 Installment Purchase Contract with Santander Bank issued in February 2022, due in annual installments of \$78,570 beginning June 15, 2022 through December 15, 2025, plus interest at 1.48% due semiannually. The proceeds of this issue were used to purchase vehicles and equipment and were shared by the City's governmental (60%) and business-type activities (40%).  | 515,890      |
| \$6,500,000 and \$5,000,000 Installment Purchase Contracts with the United States Department of Agriculture issued in December 2021. The IPCs provide permanent financing for the City's construction of the new police station and related public safety equipment. Both IPCs bear interest at 2.125% and are due in annual installments of principal and interest beginning in December 2022 until maturity in December 2051. | 10,937,951   |

|   |                             |
|---|-----------------------------|
| <p>\$6,425,000 Installment Purchase Contract with JP Morgan issued in May 2023, due in annual installments of \$381,000 to \$497,000 beginning April 1, 2024 through April 1, 2038, plus interest at 3.29% due semi-annually. The proceeds of this issue were used to renovate City Hall and were shared by the City's governmental (32%) and business-type activities (68%).</p> | 6,044,000                   |
| <p>\$762,000 Installment Purchase Contract with Hometrust Bank issued in April 2023, due in annual installments of \$102,004 beginning June 27, 2023 through December 27, 2026, plus interest at 3.65% due semi-annually. The proceeds of this issue were used to purchase vehicles for the City's use.</p>   | 483,243                     |
| <p>\$396,127 Installment Purchase Contract with Motorola issued in August 2022, due in annual installments of \$79,225 beginning February 1, 2023 through February 1, 2027. The proceeds of this issue were used for Police Body Cams.</p>  | 237,676                     |
| <p>\$18,802,000 Installment Purchase Contract with Truist Commercial Equity issued in October 2022, due in annual installments of \$823,000 to \$1,012,000 beginning April 1, 2024 through April 1, 2043, plus interest at 2.99% due semi-annually. The proceeds of this issue were used for the fire station construction project and Edwards Park mini golf course.</p>         | 17,853,000                  |
| <p>Total outstanding installment purchase contracts</p>   | <p><u>\$ 41,614,748</u></p> |

Annual debt service requirements to maturity for the City's notes payable are as follows:

| Year Ending<br>June 30 | Governmental Activities |                     |                      | Business-type Activities |                     |                     |
|------------------------|-------------------------|---------------------|----------------------|--------------------------|---------------------|---------------------|
|                        | Principal               | Interest            | Total                | Principal                | Interest            | Total               |
| 2025                   | \$ 2,421,950            | \$ 961,429          | \$ 3,383,379         | \$ 450,737               | \$ 161,308          | \$ 612,045          |
| 2026                   | 2,383,972               | 895,677             | 3,279,649            | 461,837                  | 147,818             | 609,655             |
| 2027                   | 2,239,556               | 831,110             | 3,070,666            | 473,090                  | 133,979             | 607,069             |
| 2028                   | 1,975,866               | 771,736             | 2,747,602            | 401,701                  | 120,126             | 521,827             |
| 2029                   | 1,884,191               | 720,251             | 2,604,442            | 399,621                  | 107,564             | 507,185             |
| 2030-2034              | 9,018,888               | 2,850,795           | 11,869,683           | 1,580,775                | 364,795             | 1,945,570           |
| 2035-2039              | 7,436,929               | 1,716,786           | 9,153,715            | 1,313,000                | 109,261             | 1,422,261           |
| 2040-2044              | 5,366,458               | 784,873             | 6,151,331            | -                        | -                   | -                   |
| 2045-2049              | 2,303,311               | 308,914             | 2,612,225            | -                        | -                   | -                   |
| 2050-2054              | 1,502,866               | 64,306              | 1,567,172            | -                        | -                   | -                   |
| Total                  | <u>\$ 36,533,987</u>    | <u>\$ 9,905,877</u> | <u>\$ 46,439,864</u> | <u>\$ 5,080,761</u>      | <u>\$ 1,144,851</u> | <u>\$ 6,225,612</u> |

☐ **General Obligation Bonds (Governmental)**

\$1,352,000 General Obligation Refunding Bonds, Series 2017 issued in October 2017, due in annual installments of \$9,000 to \$166,000 beginning March 1, 2018 through March 1, 2027, plus interest of 2.02% due semiannually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008. As of June 30, 2024, the outstanding balance of these bonds is \$387,000.

☐ **Limited Obligation Bonds (Governmental)**

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$85,000 to \$230,000 beginning June 1, 2022 through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's governmental activities, the proceeds from the bonds were used to (1) retire a previously outstanding installment purchase contract and (2) provide funds for a streetscape project. As of June 30, 2024, the outstanding balance of the portion of these bonds allocated to governmental activities is \$2,890,000.

Annual debt service requirements to maturity for the City's bonds for governmental activities are as follows:

| <b>Year Ending</b> |                     |                   |                     |  |
|--------------------|---------------------|-------------------|---------------------|--|
| <b>June 30</b>     | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |  |
| 2025               | \$ 374,000          | \$ 134,317        | \$ 508,317          |  |
| 2026               | 371,000             | 120,058           | 491,058             |  |
| 2027               | 317,000             | 105,858           | 422,858             |  |
| 2028               | 230,000             | 92,750            | 322,750             |  |
| 2029               | 230,000             | 81,250            | 311,250             |  |
| 2030-2034          | 1,160,000           | 239,500           | 1,399,500           |  |
| 2035-2039          | 425,000             | 64,600            | 489,600             |  |
| 2040-2044          | 170,000             | 7,650             | 177,650             |  |
| Total              | <u>\$ 3,277,000</u> | <u>\$ 845,983</u> | <u>\$ 4,122,983</u> |  |

☐ **Revenue Bonds (Business-type)**

\$12,897,000 Water and Sewer Revenue Bond issued in December 2019, due in annual installments of \$477,000 to \$1,238,000 beginning on June 1, 2020 through June 1, 2034, plus interest at 1.87% due semiannually. The proceeds of this issue were used for water/sewer system improvements and equipment and to current refund a previously outstanding installment purchase contract. As of June 30, 2024, the outstanding balance of these bonds is \$7,230,000.

\$6,915,000 Water and Sewer Revenue Bond issued in February 2022, due in annual installments of \$299,000 to \$438,000 beginning on June 1, 2023 through June 1, 2041, plus interest at 2.15% due semiannually. The proceeds of this issue are being used for water/sewer system improvement projects and the acquisition of equipment. As of June 30, 2024, the outstanding balance of these bonds is \$6,311,000.

\$8,480,000 Water and Sewer Revenue Bond issued in February 2023, due in annual installments of \$265,000 to \$602,000 beginning on June 1, 2024 through June 1, 2043, plus interest at 4.02% due semiannually. The proceeds of this issue are being used for water/sewer system improvement projects and the acquisition of equipment. As of June 30, 2024, the outstanding balance of these bonds is \$8,215,000.

□ **Limited Obligation Bonds (Business-type)**

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$375,000 to \$780,000 beginning June 1, 2023 through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's Parking Services Fund, the proceeds from the bonds were used for the construction of a parking deck and related facilities in downtown Hendersonville. As of June 30, 2024, the outstanding balance of the portion of these bonds allocated to the Parking Services Fund is \$10,195,000.

Annual debt service requirements to maturity for the City's bonds for business-type activities are as follows:

| <b>Year Ending</b> |                      |                     |                      |  |
|--------------------|----------------------|---------------------|----------------------|--|
| <b>June 30</b>     | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |  |
| 2025               | \$ 2,246,000         | \$ 998,581          | \$ 3,244,581         |  |
| 2026               | 2,294,000            | 936,513             | 3,230,513            |  |
| 2027               | 2,339,000            | 872,487             | 3,211,487            |  |
| 2028               | 1,618,000            | 806,695             | 2,424,695            |  |
| 2029               | 1,671,000            | 753,460             | 2,424,460            |  |
| 2030-2034          | 9,216,000            | 2,911,318           | 12,127,318           |  |
| 2035-2039          | 7,882,000            | 1,535,256           | 9,417,256            |  |
| 2040-2044          | 4,685,000            | 330,726             | 5,015,726            |  |
| Total              | <u>\$ 31,951,000</u> | <u>\$ 9,145,036</u> | <u>\$ 41,096,036</u> |  |

□ **Revenue Bond Rate Covenant**

The City is in compliance with the rate covenant per Section 6.6 of the General Indenture, authorizing the issuance of the Revenue Bond, Series 2019. Section 6.6 of the General Indenture requires (a) revenues, together with 20% of the balance in the surplus fund at the end of the preceding fiscal year, at least equal (i) 100% of current expenses plus (ii) 120% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness and (b) revenues at least equal (i) 100% of current expenses plus (ii) 110% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness. The rate covenant calculation for the year ended June 30, 2024, is shown in the table below:

|  |                            |
|--|----------------------------|
| Revenues (1)   | \$ 24,909,589              |
| Current expenses (2)   | 20,107,179                 |
| Surplus Fund (3)   | 9,836,679                  |
| Principal and interest on revenue bond                               | 2,457,081                  |
| Principal and interest on other indebtedness                         | 1,441,113                  |
| <br>(a) Revenues plus 20% of Surplus Fund                            | <br><u>26,876,925</u>      |
| <br>(a)(i) 100% of current expenses                                  | <br>20,107,179             |
| (a)(ii) 120% of annual principal and interest on revenue bonds       | 2,948,497                  |
| (a)(iii) 100% of annual principal and interest on other indebtedness | 1,441,113                  |
|  | <u>24,496,789</u>          |
| <b>Covenant met</b>  | <b><u>\$ 2,380,136</u></b> |
| <br>(b) Revenues   | <br>\$ 24,909,589          |
| <br>(a)(i) 100% of current expenses                                  | <br>20,107,179             |
| (a)(ii) 110% of annual principal and interest on revenue bonds       | 2,702,789                  |
| (a)(iii) 100% of annual principal and interest on other indebtedness | 1,441,113                  |
|  | <u>24,251,081</u>          |
| <b>Covenant met</b>  | <b><u>\$ 658,508</u></b>   |

(1) Operating revenues of the Water and Sewer Fund.

(2) This does not include depreciation and amortization expense.

(3) This is the June 30, 2023 unrestricted cash and investment balance.

□ **State Revolving Loans (Business-type)**

|  |                      |
|--|----------------------|
| \$571,781 State Revolving Loan finalized in May 2011, due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.   | \$ 200,123           |
| \$1,815,000 State Revolving Loan finalized in June 2015, due in annual installments of \$90,750 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek sewer project.  | 998,250              |
| \$4,340,600 State Revolving Loan finalized in July 2015, due in annual installments of \$217,030 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Jackson Creek sewer project.   | 2,387,330            |
| \$3,000,000 State Revolving Loan finalized in March 2016, due in annual installments of \$139,248 beginning on May 1, 2016, through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek water/sewer system improvements.   | 1,531,729            |
| \$2,982,484 State Revolving Loan finalized in June 2022. The loan is due in annual installments of \$149,124 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue were used for the Streambank Restoration project.   | 2,516,716            |
| \$5,370,932 State Revolving Loan finalized in June 2022. The loan is due in annual installments of \$268,547 beginning on May 1, 2022 through May 1, 2041, with no interest. The proceeds of this issue were used for the Northside Water System project.  | 4,558,093            |
| \$24,514,035 approved State Revolving Loan of which only \$20,539,110 has been drawn down through June 2024. Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2025 through May 1, 2044, with no interest. The proceeds of this issue are being used for the French Broad project. | 20,539,110           |
| Total outstanding state revolving loans  | <u>\$ 32,731,351</u> |

Annual debt service requirements to maturity for the City's state revolving loans for business-type activities are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|--------------------------------|----------------------|---------------------|----------------------|
| 2025                           | \$ 2,067,908         | \$ 379,889          | \$ 2,447,797         |
| 2026                           | 1,910,883            | 378,828             | 2,289,711            |
| 2027                           | 1,910,883            | 353,648             | 2,264,531            |
| 2028                           | 1,910,883            | 328,468             | 2,239,351            |
| 2029                           | 1,910,883            | 303,288             | 2,214,171            |
| 2030-2034                      | 9,468,646            | 1,140,869           | 10,609,515           |
| 2035-2039                      | 7,623,356            | 580,611             | 8,203,967            |
| 2040-2044                      | 5,927,909            | 193,319             | 6,121,228            |
| Total                          | <u>\$ 32,731,351</u> | <u>\$ 3,658,920</u> | <u>\$ 36,390,271</u> |

**□ Financed Purchases**

The City has entered into agreements to finance the use of vehicles and equipment used in both governmental activities and business-type activities. These agreements qualify as financed purchases for accounting purposes as ownership of the underlying assets will transfer to the City upon final maturity and payment of balances owed. These agreements require monthly payments from the City until maturity; however, the agreements do not include a stated interest rate.

Annual debt service requirements to maturity for the City's financed purchases are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Governmental</b> | <b>Business-type</b> |
|--------------------------------|---------------------|----------------------|
| 2025                           | \$ 115,349          | \$ 26,127            |
| 2026                           | 23,459              | 7,310                |
| Total                          | <u>\$ 138,808</u>   | <u>\$ 33,437</u>     |

□ **Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities follows:

|                                       | <b>Beginnging<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
|---------------------------------------|-------------------------------|---------------------|---------------------|---------------------------|----------------------------|
| <b>Governmental Activities:</b>       |                               |                     |                     |                           |                            |
| General obligation bonds              | \$ 539,000                    | \$ -                | \$ 152,000          | \$ 387,000                | \$ 149,000                 |
| Limited obligation bonds              | 3,115,000                     | -                   | 225,000             | 2,890,000                 | 225,000                    |
| Premium on bonds                      | 520,655                       | -                   | 74,339              | 446,316                   | 68,245                     |
| Direct borrowing                      |                               |                     |                     |                           |                            |
| installment purchases                 | 37,617,673                    | 1,306,996           | 2,390,682           | 36,533,987                | 2,421,950                  |
| Financed purchases                    | 276,833                       | -                   | 138,025             | 138,808                   | 115,349                    |
| Lease liabilities                     | 163,731                       | 4,943               | 34,340              | 134,334                   | 35,738                     |
| Subscription liabilities              | 191,259                       | -                   | 93,245              | 98,014                    | 31,809                     |
| Compensated absences                  | 1,259,381                     | 293,421             | -                   | 1,552,802                 | 924,550                    |
| Total OPEB liability                  | 2,241,819                     | -                   | 547,653             | 1,694,166                 | -                          |
| Net pension liability (LGERS)         | 7,567,257                     | 1,770,592           | -                   | 9,337,849                 | -                          |
| Total pension liability (LEOSSA)      | 1,445,194                     | 123,326             | -                   | 1,568,520                 | -                          |
| <b>Total governmental activities</b>  | <b>\$ 54,937,802</b>          | <b>\$ 3,499,278</b> | <b>\$ 3,655,284</b> | <b>\$ 54,781,796</b>      | <b>\$ 3,971,641</b>        |
| <b>Business-Type Activities:</b>      |                               |                     |                     |                           |                            |
| Revenue bonds                         | \$ 23,551,000                 | \$ -                | \$ 1,795,000        | \$ 21,756,000             | \$ 1,836,000               |
| Limited obligation bonds              | 10,590,000                    | -                   | 395,000             | 10,195,000                | 410,000                    |
| Premium on bonds                      | 1,520,391                     | -                   | 159,492             | 1,360,899                 | 151,941                    |
| State revolving loans                 | 26,463,673                    | 7,159,884           | 892,206             | 32,731,351                | 2,067,908                  |
| Direct borrowing                      |                               |                     |                     |                           |                            |
| installment purchases                 | 5,021,014                     | 477,004             | 417,257             | 5,080,761                 | 450,737                    |
| Financed purchases                    | 59,520                        | -                   | 26,083              | 33,437                    | 26,127                     |
| Leases                                | 62,233                        | 4,943               | 13,571              | 53,605                    | 14,446                     |
| Subscriptions                         | 433,377                       | -                   | 107,042             | 326,335                   | 47,350                     |
| Compensated absences                  | 763,166                       | 172,907             | -                   | 936,073                   | 506,978                    |
| Total OPEB liability                  | 1,642,136                     | -                   | 401,157             | 1,240,979                 | -                          |
| Net pension liability (LGERS)         | 5,544,580                     | 1,297,310           | -                   | 6,841,890                 | -                          |
| <b>Total Business-Type Activities</b> | <b>\$ 75,651,090</b>          | <b>\$ 9,112,048</b> | <b>\$ 4,206,808</b> | <b>\$ 80,556,330</b>      | <b>\$ 5,511,487</b>        |

Resources from the Water and Sewer Fund, Parking Services Fund, Environmental Services Fund, and the Stormwater Fund have generally been used to liquidate the City's business-type activities long-term obligations, depending on the fund reporting the applicable liability.

At June 30, 2024, City of Hendersonville had a legal debt margin of approximately \$155,000,000.

**iii. Deferred Inflows of Resources**

The balance in deferred inflows of resources on the fund statements and unearned revenues on the government-wide statements at June 30, 2024 is composed of the following elements:

| <u>Source</u>                                    | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        | <u>Governmental<br/>Funds</u> |
|--|------------------------------------|-------------------------------------|---------------------|-------------------------------|
| Pension deferrals (LGERS)                        | \$ 95,681                          | \$ 70,105                           | \$ 165,786          | \$ -                          |
| Pension deferrals (LEOSSA)                       | 203,460                            | -                                   | 203,460             | -                             |
| OPEB deferrals                                   | 833,053                            | 610,217                             | 1,443,270           | -                             |
| Lease receivable                                 | -                                  | 675,682                             | 675,682             | -                             |
| Taxes receivable, net (General Fund)             | -                                  | -                                   | -                   | 222,798                       |
| Taxes receivable, net<br>(special revenue funds) | -                                  | -                                   | -                   | 12,779                        |
| Total  | <u>\$ 1,132,194</u>                | <u>\$ 1,356,004</u>                 | <u>\$ 2,488,198</u> | <u>\$ 235,577</u>             |

**iv. Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2024, are computed as follows:

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Capital assets, net of accumulated depreciation | \$ 63,318,451                      | \$ 157,269,668                      |
| Less: total capital debt                        | (40,628,459)                       | (71,537,388)                        |
| Add: unexpended debt proceeds                   | 6,286,956                          | 1,383,208                           |
| Net investment in capital assets                | <u>\$ 28,976,948</u>               | <u>\$ 87,115,488</u>                |

**3. Interfund Balances and Transfers** – The composition of interfund balances as of June 30, 2024, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>         | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund           | Stormwater Fund             | \$ 487,377    |
| General Fund           | Parking Services Fund       | 571,439       |
| General Fund           | Environmental Services Fund | 76,554        |
| Water and Sewer Fund   | Grant Fund                  | 1,545,991     |

The Parking Services Fund owes the General Fund for providing cash resources upfront to help pay the parking services fund expenditures as the new fund started. The Nonmajor Enterprise funds owe the General Fund for providing cash resources upfront for various expenditures such as Stormwater capital projects and Environmental services projects. The Grant Fund owes the Water and Sewer Fund for various grants received that are for the purpose of providing Water and Sewer services. These receivables should all be satisfied in the upcoming fiscal year.

Interfund transfers for the year ended June 30, 2024 consisted of the following:

| <u>Transfers From</u> | <u>Transfers To</u>               | <u>Amount</u> |
|-----------------------|-----------------------------------|---------------|
| General Fund          | Special Revenue Fund              | \$ 350,000    |
| General Fund          | Grants Fund                       | 75,000        |
| 7th Avenue MSD Fund   | Governmental Capital Project Fund | 81,438        |
| Grants Fund           | Water and Sewer Fund              | 5,195,771     |

Transfers are used to: (1) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them; and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

4. **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 insurance program, the City has general liability coverage of \$2 million and auto liability coverage of \$1 million per occurrence; property coverage up to \$102 million blanket coverage; Law Enforcement Liability Insurance of \$1 million and \$3 million, respectively; and Public Officials Liability Insurance of \$2 million and \$3 million, respectively. The City also carries worker's compensation coverage up to statutory limits.

The City carries commercial insurance coverage for all other risks of loss. 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.

After updates to the GIS system floodplain mapping, several City facilities are now shown as being located in floodplain areas. Both the City and the County participate in the National Flood Insurance Program and City management is currently studying the facilities and flood mapping to consider what types of coverages are necessary.

The City provides health insurance coverage for employees and their families through 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 \$10,000 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General 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 the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as expenditures/expenses in the funds.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more of the City's funds at any given time are performance bonded through a commercial surety bond. The Director of Finance is individually bonded for \$1,000,000. The remaining employees that have access to funds are covered under an employee dishonesty policy with a limit of \$523,000 per occurrence.

5. **Commitments and Contingent Liabilities** - At June 30, 2024, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of the majority of these legal matters will not have a material adverse effect on the City's financial position.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

6. **Related Organizations** - The seven-member Board of Commissioners of the Hendersonville Housing Authority (the “Housing Authority”) is appointed by the Mayor of the City. The City is accountable for the Authority because it appoints the governing board; however, the City is not financially accountable. Complete financial statements for the Housing Authority can be obtained from the Housing Authority’s offices at 203 North Justice Street, Hendersonville, North Carolina 28739.
7. **Joint Ventures** - The City has acquired and developed real property during the past few fiscal years as part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College. These joint activities will provide a sustainable health sciences educational facility for the residents of Hendersonville, Henderson County, and the region.
8. **Jointly Governed Organization** - Land of Sky Regional Council – The City, in conjunction with Buncombe, Henderson, Madison, and Transylvania counties (and the other municipalities contained therein), established the Land of Sky Regional Council (the “Council”). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board and the City pays membership and administrative fees to the Council.
9. **Subsequent event – Hurricane Helene** – In September 2024, Western North Carolina was severely impacted by Hurricane Helene leading to a Federal disaster area declaration which included the City of Hendersonville, as well as surrounding counties and municipalities. It caused widespread flooding and damage to the City of Hendersonville, which included significant damage to public buildings, roads, utility systems, parks, equipment, and vehicles. The City of Hendersonville is working with federal and state agencies to assess the damage and coordinate recovery efforts. As of the issuance date of these financial statements, management is unable to determine the full extent of these costs, but believe they are adequately insured and are pursuing Federal and State grant or emergency relief funding that is available.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Last Eight Fiscal Years

**Schedule of Changes in Total Pension Liability**

|   | 2024                | 2023                | 2022                | 2021                | 2020                | 2019                | 2018              | 2017              |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Beginning balance                                 | \$ 1,445,194        | \$ 1,667,006        | \$ 1,619,778        | \$ 1,193,484        | \$ 1,069,048        | \$ 970,249          | \$ 880,684        | \$ 869,979        |
| Changes for the year:                             |                     |                     |                     |                     |                     |                     |                   |                   |
| Service cost at end of year                       | 63,156              | 91,225              | 89,032              | 61,387              | 60,562              | 62,891              | 50,871            | 49,449            |
| Interest  | 56,234              | 33,384              | 30,716              | 37,986              | 38,281              | 30,114              | 33,536            | 30,213            |
| Difference between expected and actual experience | 42,487              | (17,516)            | 1,768               | (70,177)            | 24,162              | 83,614              | (39,137)          | -                 |
| Changes of assumptions and other inputs           | 36,734              | (253,620)           | (17,720)            | 453,666             | 36,179              | (43,296)            | 68,066            | (21,588)          |
| Benefit payments                                  | <u>(75,285)</u>     | <u>(75,285)</u>     | <u>(56,568)</u>     | <u>(56,568)</u>     | <u>(34,748)</u>     | <u>(34,524)</u>     | <u>(23,771)</u>   | <u>(47,369)</u>   |
| Net changes                                       | <u>123,326</u>      | <u>(221,812)</u>    | <u>47,228</u>       | <u>426,294</u>      | <u>124,436</u>      | <u>98,799</u>       | <u>89,565</u>     | <u>10,705</u>     |
| Ending balance                                    | <u>\$ 1,568,520</u> | <u>\$ 1,445,194</u> | <u>\$ 1,667,006</u> | <u>\$ 1,619,778</u> | <u>\$ 1,193,484</u> | <u>\$ 1,069,048</u> | <u>\$ 970,249</u> | <u>\$ 880,684</u> |

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

|  |              |              |              |              |              |              |            |            |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| Total pension liability                                    | \$ 1,568,520 | \$ 1,445,194 | \$ 1,667,006 | \$ 1,619,778 | \$ 1,193,484 | \$ 1,069,048 | \$ 970,249 | \$ 880,684 |
| Covered-employee payroll                                   | 2,906,457    | 2,023,715    | 2,023,715    | 2,307,729    | 2,386,117    | 2,282,787    | 2,160,041  | 2,069,581  |
| Total pension liability as a percentage of covered payroll | 53.97%       | 71.41%       | 82.37%       | 70.19%       | 50.02%       | 46.83%       | 44.92%     | 42.55%     |

Notes to the schedule:

City of Hendersonville has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\* The amounts presented for each fiscal year were determined as of the prior December 31 (measurement date).

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

City's Proportionate Share of the Net Pension Liability (Asset)  
Required Supplementary Information  
Last Ten Fiscal Years\*

**Local Government Employees' Retirement System**

|  | <u>2024</u>   | <u>2023</u>   | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u> | <u>2015</u>  |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| City's proportion of the net pension liability (asset) (%)   | 0.24429%      | 0.23242%      | 0.19500%     | 0.20052%     | 0.20183%     | 0.19549%     | 0.18539%     | 0.17432%     | 0.17693%    | 0.13025%     |
| City's proportion of the net pension liability (asset) (\$)  | \$ 16,179,738 | \$ 13,111,837 | \$ 3,059,525 | \$ 7,165,434 | \$ 5,511,820 | \$ 4,637,691 | \$ 2,832,246 | \$ 3,699,654 | \$ 794,051  | \$ (768,146) |
| City's covered payroll   | 19,451,621    | 15,958,730    | 13,776,001   | 12,974,903   | 12,439,887   | 11,705,774   | 10,505,338   | 10,120,748   | 9,515,789   | 8,378,808    |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 83.18%        | 82.16%        | 22.21%       | 55.23%       | 44.31%       | 39.62%       | 26.96%       | 36.56%       | 8.34%       | (9.17%)      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                     | 82.49%        | 84.14%        | 95.51%       | 88.61%       | 91.63%       | 94.18%       | 91.47%       | 98.09%       | 99.07%      | 102.64%      |

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Schedule of City's Contributions  
Required Supplementary Information  
Last Ten Fiscal Years

**Local Government Employees' Retirement System**

|   | <u>2024</u>      | <u>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    |
|---|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                     | \$ 2,622,342     | \$ 2,388,223     | \$ 1,840,893     | \$ 1,419,767     | \$ 1,184,667     | \$ 987,487     | \$ 901,020     | \$ 783,926     | \$ 691,249     | \$ 679,268     |
| Contributions in relation to the<br>contractually required contribution | <u>2,622,342</u> | <u>2,388,223</u> | <u>1,840,893</u> | <u>1,419,767</u> | <u>1,184,667</u> | <u>987,487</u> | <u>901,020</u> | <u>783,926</u> | <u>691,249</u> | <u>679,268</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| City's covered payroll  | \$ 20,140,100    | \$ 19,451,621    | \$ 15,958,730    | \$ 13,776,001    | \$ 12,974,903    | \$ 12,439,887  | \$ 11,705,774  | \$ 10,505,338  | \$ 10,120,748  | \$ 9,515,789   |
| Contributions as a percentage of<br>covered payroll                     | 13.02%           | 12.28%           | 11.54%           | 10.31%           | 9.13%            | 7.94%          | 7.70%          | 7.46%          | 6.83%          | 7.14%          |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Other Postemployment Benefits  
Required Supplementary Information  
Last Seven Fiscal Years

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

|  | <u>2024</u>         | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning balance  | \$ 3,883,955        | \$ 4,447,188        | \$ 4,507,940        | \$ 3,862,584        | \$ 2,833,222        | \$ 2,928,716        | \$ 2,879,569        |
| Changes for the year:  |                     |                     |                     |                     |                     |                     |                     |
| Service cost   | 132,752             | 183,931             | 238,811             | 170,370             | 123,683             | 129,414             | 124,941             |
| Interest   | 138,401             | 93,577              | 96,612              | 131,176             | 105,858             | 100,620             | 99,943              |
| Changes of benefit terms   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Differences between expected and actual experience               | (965,070)           | -                   | (36,747)            | -                   | 772,971             | -                   | -                   |
| Changes of assumptions or other inputs                           | 11,594              | (610,867)           | (86,726)            | 573,183             | 222,593             | (89,335)            | -                   |
| Benefit payments   | <u>(266,487)</u>    | <u>(229,874)</u>    | <u>(272,702)</u>    | <u>(229,373)</u>    | <u>(195,743)</u>    | <u>(236,193)</u>    | <u>(175,737)</u>    |
| Net changes  | <u>(948,810)</u>    | <u>(563,233)</u>    | <u>(60,752)</u>     | <u>645,356</u>      | <u>1,029,362</u>    | <u>(95,494)</u>     | <u>49,147</u>       |
| Ending balance   | <u>\$ 2,935,145</u> | <u>\$ 3,883,955</u> | <u>\$ 4,447,188</u> | <u>\$ 4,507,940</u> | <u>\$ 3,862,584</u> | <u>\$ 2,833,222</u> | <u>\$ 2,928,716</u> |
| <br>   |                     |                     |                     |                     |                     |                     |                     |
| Covered-employee payroll   | \$ 15,461,987       | \$ 11,014,264       | \$ 11,014,264       | \$ 12,405,563       | \$ 12,405,563       | \$ 10,236,625       | \$ 10,236,625       |
| Total OPEB liability as a percentage of covered-employee payroll | 18.98%              | 35.26%              | 40.38%              | 36.34%              | 31.14%              | 27.68%              | 28.61%              |

Notes to the schedule:

The schedule will present 10 years of information once it is accumulated.

The City is not accumulating assets in a trust fund that meets the criteria of paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period:

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2024               | 3.86%       |
| 2023               | 3.54%       |
| 2022               | 2.16%       |
| 2021               | 2.21%       |
| 2020               | 3.50%       |
| 2019               | 3.89%       |
| 2018               | 3.56%       |

## **SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES**

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**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, 2024

|                                      | <u>Budget</u> | <u>Actual</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|---------------|---------------|---|
| <b>Revenues:</b>                     |               |               |   |
| Ad valorem taxes:                    |               |               |   |
| Taxes                                |               | \$ 14,885,195 |   |
| Penalties and interest               |               | 32,368        |   |
| Total                                | \$ 14,883,240 | 14,917,563    | \$ 34,323                                   |
| Unrestricted intergovernmental:      |               |               |   |
| Local option sales taxes             |               | 5,872,485     |   |
| Payments in lieu of taxes            |               | 67,949        |   |
| Utility sales tax                    |               | 1,436,147     |   |
| Beer and wine tax                    |               | 79,957        |   |
| ABC profit distribution              |               | 400,000       |   |
| Court fees                           |               | 6,149         |   |
| Total                                | 7,734,000     | 7,862,687     | 128,687                                     |
| Other taxes and licenses:            |               |               |   |
| Other taxes                          |               | 12,240        |   |
| Total                                | 7,500         | 12,240        | 4,740                                       |
| Restricted intergovernmental:        |               |               |   |
| Powell bill allocation               |               | 515,913       |   |
| ABC revenue for law enforcement      |               | 40,000        |   |
| On-behalf payments - fire and rescue |               | 338,161       |   |
| Other grant revenues                 |               | 60,648        |   |
| Total                                | 943,833       | 954,722       | 10,889                                      |
| Permits and fees:                    |               |               |   |
| Building permits and inspection fees |               | 284,832       |   |
| Special project fees                 |               | 21,879        |   |
| Payment in lieu of sidewalks         |               | 89,006        |   |
| Motor vehicle fees                   |               | 224,850       |   |
| Total                                | 483,750       | 620,567       | 136,817                                     |
| Sales and services:                  |               |               |   |
| Facility rent                        |               | 29,875        |   |
| Recreation fees                      |               | 25,662        |   |
| Paving cut repair fees               |               | 369,419       |   |
| Cemetery fees                        |               | 12,050        |   |
| Total                                | 887,090       | 437,006       | (450,084)                                   |
| Investment earnings (losses)         | 280,000       | 285,018       | 5,018                                       |
| Miscellaneous                        | 242,968       | 251,723       | 8,755                                       |
| Total revenues                       | 25,462,381    | 25,341,526    | (120,855)                                   |

**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, 2024

|                                | <u>Budget</u>        | <u>Actual</u>        | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|----------------------|----------------------|---|
| <b>Expenditures:</b>           |                      |                      |   |
| General government:            |                      |                      |   |
| Governing body:                |                      |                      |   |
| Salaries and employee benefits |                      | 36,720               |   |
| Operating                      |                      | 32,816               |   |
| Special appropriation          |                      | <u>311,836</u>       |   |
| Total                          |                      | <u>381,372</u>       |   |
| Administration:                |                      |                      |   |
| Salaries and employee benefits |                      | 799,303              |   |
| Operating                      |                      | 1,063,351            |   |
| Capital outlay                 |                      | <u>59,988</u>        |   |
| Total                          |                      | <u>1,922,642</u>     |   |
| City engineer:                 |                      |                      |   |
| Salaries and employee benefits |                      | 444,563              |   |
| Operating                      |                      | 47,297               |   |
| Capital outlay                 |                      | <u>5,000</u>         |   |
| Total                          |                      | <u>496,860</u>       |   |
| Finance:                       |                      |                      |   |
| Salaries and employee benefits |                      | 381,131              |   |
| Operating                      |                      | <u>170,130</u>       |   |
| Total                          |                      | <u>551,261</u>       |   |
| Legal:                         |                      |                      |   |
| Salaries and employee benefits |                      | 172,963              |   |
| Operating                      |                      | <u>34,552</u>        |   |
| Total                          |                      | <u>207,515</u>       |   |
| Information technology:        |                      |                      |   |
| Salaries and employee benefits |                      | 59,582               |   |
| Operating                      |                      | 609,376              |   |
| Capital outlay                 |                      | <u>4,943</u>         |   |
| Total                          |                      | <u>673,901</u>       |   |
| <br>Total general government   | <br><u>4,836,021</u> | <br><u>4,233,551</u> | <br><u>602,470</u>                          |

**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, 2024

|                                  | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|----------------------------------|-------------------|-------------------|---|
| <b>Expenditures (continued):</b> |                   |                   |   |
| Public safety:                   |                   |                   |   |
| Police:                          |                   |                   |   |
| Salaries and employee benefits   |                   | 5,659,236         |   |
| Operating                        |                   | 918,569           |   |
| Capital outlay                   |                   | 47,148            |   |
| Total                            | <u>7,106,292</u>  | <u>6,624,953</u>  | <u>481,339</u>                              |
| Fire:                            |                   |                   |   |
| Salaries and employee benefits   |                   | 4,597,726         |   |
| Operating                        |                   | 847,805           |   |
| Capital outlay                   |                   | 25,133            |   |
| Total                            | <u>6,400,751</u>  | <u>5,470,664</u>  | <u>930,087</u>                              |
| Development assistance:          |                   |                   |   |
| Salaries and employee benefits   |                   | 607,477           |   |
| Operating                        |                   | 228,536           |   |
| Total                            | <u>1,036,313</u>  | <u>836,013</u>    | <u>200,300</u>                              |
| Total public safety              | <u>14,543,356</u> | <u>12,931,630</u> | <u>1,611,726</u>                            |
| Public works:                    |                   |                   |   |
| Public works administration:     |                   |                   |   |
| Salaries and employee benefits   |                   | 507,415           |   |
| Operating                        |                   | 215,998           |   |
| Total                            |                   | <u>723,413</u>    |   |
| Streets and highways             |                   |                   |   |
| Salaries and employee benefits   |                   | 691,809           |   |
| Operating                        |                   | 376,962           |   |
| Capital outlay                   |                   | 37,965            |   |
| Total                            |                   | <u>1,106,736</u>  |   |
| Traffic engineering:             |                   |                   |   |
| Salaries and employee benefits   |                   | 272,045           |   |
| Operating                        |                   | 71,688            |   |
| Capital outlay                   |                   | 27,085            |   |
| Total                            |                   | <u>370,818</u>    |   |
| State Street Aid allocation:     |                   | <u>646,586</u>    |   |
| Grounds maintenance:             |                   |                   |   |
| Salaries and employee benefits   |                   | 590,000           |   |
| Operating                        |                   | 236,358           |   |
| Total                            |                   | <u>826,358</u>    |   |

**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, 2024

|  | <u>Budget</u>      | <u>Actual</u>        | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|--------------------|----------------------|---|
| <b>Expenditures (continued):</b>       |                    |                      |   |
| Building maintenance:                  |                    |                      |   |
| Salaries and employee benefits         |                    | 140,169              |   |
| Operating                              |                    | <u>286,205</u>       |   |
| Total                                  |                    | <u>426,374</u>       |   |
| Patton Park pool:                      |                    |                      |   |
| Operating                              |                    | 87,187               |   |
| Capital outlay                         |                    | <u>13,641</u>        |   |
| Total                                  |                    | <u>100,828</u>       |   |
| Fleet maintenance                      |                    |                      |   |
| Salaries and employee benefits         |                    | 319,719              |   |
| Operating                              |                    | 61,604               |   |
| Capital outlay                         |                    | <u>35,528</u>        |   |
| Total                                  |                    | <u>416,851</u>       |   |
| Total public works                     | <u>5,451,876</u>   | <u>4,617,964</u>     | <u>833,912</u>                              |
| Debt Service:                          |                    |                      |   |
| Principal retirement                   |                    | 3,003,862            | (3,003,862)                                 |
| Interest and fees                      |                    | <u>1,168,780</u>     | <u>(1,168,780)</u>                          |
| Total debt service                     | <u>4,172,973</u>   | <u>4,172,642</u>     | <u>331</u>                                  |
| Total expenditures                     | <u>29,004,226</u>  | <u>25,955,787</u>    | <u>3,048,439</u>                            |
| Revenues under expenditures            | <u>(3,541,845)</u> | <u>(614,261)</u>     | <u>2,927,584</u>                            |
| <b>Other Financing Sources (Uses):</b> |                    |                      |   |
| Appropriated fund balance              | 3,736,545          | -                    | (3,736,545)                                 |
| Sale of capital assets                 | 550,000            | 512,316              | (37,684)                                    |
| Lease liabilities issued               | -                  | 4,943                | 4,943                                       |
| Transfers to other funds               | <u>(744,700)</u>   | <u>(425,000)</u>     | <u>319,700</u>                              |
| Total other financing sources (uses)   | <u>3,541,845</u>   | <u>92,259</u>        | <u>(3,449,586)</u>                          |
| Net change in fund balance             | <u>\$ -</u>        | <u>(522,002)</u>     | <u>\$ (522,002)</u>                         |
| Fund balance, beginning of year        |                    | <u>11,594,167</u>    |   |
| Fund balance, end of year              |                    | <u>\$ 11,072,165</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

GOVERNMENTAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|   | Project<br>Authorization | Actual                        |                 |                  | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-------------------------------|-----------------|------------------|------------------------------------|
|   |                          | Reported<br>In Prior<br>Years | Current<br>Year | Total<br>to Date |                                    |
| <b>Revenues:</b>                        |                          |                               |                 |                  |                                    |
| Grant revenue                           | \$ 1,862,376             | \$ 181,383                    | \$ 367,948      | \$ 549,331       | \$ (1,313,045)                     |
| Local contributions                     | 2,238,531                | 252,500                       | 15,000          | 267,500          | (1,971,031)                        |
| Investment earnings                     | 628,981                  | 427,982                       | 499,449         | 927,431          | 298,450                            |
| Total                                   | 4,729,888                | 861,865                       | 882,397         | 1,744,262        | (2,985,626)                        |
| <b>Expenditures:</b>                    |                          |                               |                 |                  |                                    |
| General government                      |                          |                               |                 |                  |                                    |
| NCDOT White/S Main                      | 3,784,700                | -                             | 10,780          | 10,780           | 3,773,920                          |
| City Hall and Ops Renovation            | 6,377,014                | 356,182                       | 3,864,661       | 4,220,843        | 2,156,171                          |
| NCDOT Blythe St Sidewalks               | 12,363                   | -                             | 12,363          | 12,363           | -                                  |
| City Hall Exterior Improvements         | 246,317                  | 102,032                       | -               | 102,032          | 144,285                            |
| City Hall Exterior Reno                 | 1,032,500                | -                             | 39,723          | 39,723           | 992,777                            |
| CDBG Ashe Street Community              | 731,904                  | -                             | 7,500           | 7,500            | 724,404                            |
| Non-capital                             | 196,082                  | 53,469                        | 142,613         | 196,082          | -                                  |
| Total general government                | 12,380,880               | 511,683                       | 4,077,640       | 4,589,323        | 7,791,557                          |
| Public safety                           |                          |                               |                 |                  |                                    |
| Fire Station #1                         | 17,453,559               | 4,207,917                     | 9,786,096       | 13,994,013       | 3,459,546                          |
| Fire Ladder                             | 1,500,000                | 39,400                        | 1,458,021       | 1,497,421        | 2,579                              |
| Fire Engine                             | 800,000                  | 48,375                        | 742,325         | 790,700          | 9,300                              |
| Fire Station #3                         | 4,470,000                | 274,157                       | -               | 274,157          | 4,195,843                          |
| Police Vehicles                         | 1,362,500                | -                             | 1,104,402       | 1,104,402        | 258,098                            |
| Non-capital                             | 76,470                   | 76,470                        | -               | 76,470           | -                                  |
| Total public safety                     | 25,662,529               | 4,646,319                     | 13,090,844      | 17,737,163       | 7,925,366                          |
| Public works                            |                          |                               |                 |                  |                                    |
| Tracey Grove Bridge                     | 1,040,000                | 211,298                       | 25,305          | 236,603          | 803,397                            |
| Clear Creek Greenway                    | 2,470,780                | 237,952                       | 261,730         | 499,682          | 1,971,098                          |
| Non-capital                             | 1,240                    | -                             | 1,240           | 1,240            | -                                  |
| Total transportation                    | 3,512,020                | 449,250                       | 288,275         | 737,525          | 2,774,495                          |
| Economic and physical development       |                          |                               |                 |                  |                                    |
| 7th Avenue Streetscape                  | 2,807,877                | 321,333                       | 1,833,287       | 2,154,620        | 653,257                            |
| Non-capital                             | 12,154                   | 10,479                        | 1,675           | 12,154           | -                                  |
| Total economic and physical development | 2,820,031                | 331,812                       | 1,834,962       | 2,166,774        | 653,257                            |
| Cultural and recreation                 |                          |                               |                 |                  |                                    |
| Laurel Park Generators                  | -                        | -                             | 5,811           | 5,811            | (5,811)                            |
| Edwards Park Development                | 2,704,690                | 1,443,382                     | 1,089,716       | 2,533,098        | 171,592                            |
| Total cultural and recreation           | 2,704,690                | 1,443,382                     | 1,095,527       | 2,538,909        | 165,781                            |
| Total expenditures                      | 47,080,150               | 7,382,446                     | 20,387,248      | 27,769,694       | 19,310,456                         |
| Revenues under expenditures             | (42,350,262)             | (6,520,581)                   | (19,504,851)    | (26,025,432)     | 16,324,830                         |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

GOVERNMENTAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|                                   | <b>Project<br/>Authorization</b> | <b>Actual</b>                          |                         |                          | <b>Variance<br/>Positive<br/>(Negative)</b> |
|-----------------------------------|----------------------------------|--|-------------------------|--------------------------|---|
|                                   |                                  | <b>Reported<br/>In Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total<br/>to Date</b> |   |
| <b>Other Financing Sources:</b>   |                                  |  |                         |                          |   |
| Issuance of long-term obligations | 39,004,291                       | 27,265,592                             | 1,306,996               | 28,572,588               | (10,431,703)                                |
| Sale of capital assets            | 350,000                          | -                                      | 350,000                 | 350,000                  | -   |
| Transfers from other funds        | 2,995,971                        | 862,190                                | 81,438                  | 943,628                  | (2,052,343)                                 |
| Total other financing sources     | 42,350,262                       | 28,127,782                             | 1,738,434               | 29,866,216               | (12,484,046)                                |
| Net change in fund balance        | \$ -                             | \$ 21,607,201                          | (17,766,417)            | \$ 3,840,784             | \$ 3,840,784                                |
| Fund balance, beginning of year   |                                  |  | 21,607,201              |                          |   |
| Fund balance, end of year         |                                  |  | \$ 3,840,784            |                          |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

GRANTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

PROJECT AUTHORIZATION AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|  | Project<br>Authorization | Actual                        |                     |                     | Variance<br>Positive<br>(Negative) |
|--|--------------------------|-------------------------------|---------------------|---------------------|------------------------------------|
|  |                          | Reported<br>In Prior<br>Years | Current<br>Year     | Total<br>to Date    |                                    |
| <b>Revenues:</b>                       |                          |                               |                     |                     |                                    |
| Restricted intergovernmental           | \$ 22,771,354            | \$ 3,607,845                  | \$ 5,086,914        | \$ 8,694,759        | \$ (14,076,595)                    |
| Investment earnings                    | -                        | 37,893                        | 61,603              | 99,496              | 99,496                             |
|  | <u>22,771,354</u>        | <u>3,645,738</u>              | <u>5,148,517</u>    | <u>8,794,255</u>    | <u>(13,977,099)</u>                |
| <b>Expenditures:</b>                   |                          |                               |                     |                     |                                    |
| Current:                               |                          |                               |                     |                     |                                    |
| General government                     | 1,900,000                | 360,000                       | 31,866              | 391,866             | 1,508,134                          |
| Public safety                          | 127,341                  | 77,126                        | 52,152              | 129,278             | (1,937)                            |
| Public works                           | 325,000                  | 10,535                        | 2,515               | 13,050              | 311,950                            |
| Environmental protection               | 583,079                  | 565,727                       | -                   | 565,727             | 17,352                             |
| Economic and physical development      | 100,000                  | -                             | 6,293               | 6,293               | 93,707                             |
| Water and sewer                        | 400,000                  | 130,123                       | 210,889             | 341,012             | 58,988                             |
| Stormwater                             | 400,000                  | -                             | 167,800             | 167,800             | 232,200                            |
| Capital outlay                         | 10,934                   | 10,934                        | -                   | 10,934              | -                                  |
|  | <u>3,846,354</u>         | <u>1,154,445</u>              | <u>471,515</u>      | <u>1,625,960</u>    | <u>2,220,394</u>                   |
| Revenues over expenditures             | <u>18,925,000</u>        | <u>2,491,293</u>              | <u>4,677,002</u>    | <u>7,168,295</u>    | <u>(11,756,705)</u>                |
| <b>Other Financing Sources (Uses):</b> |                          |                               |                     |                     |                                    |
| Transfers from other funds             | 75,000                   | 514,911                       | 75,000              | 589,911             | 514,911                            |
| Transfers to other funds               | (19,000,000)             | (1,525)                       | (5,195,771)         | (5,197,296)         | 13,802,704                         |
| Total other financing sources (uses)   | <u>(18,925,000)</u>      | <u>513,386</u>                | <u>(5,120,771)</u>  | <u>(4,607,385)</u>  | <u>14,317,615</u>                  |
| Net change in fund balance             | <u>\$ -</u>              | <u>\$ 3,004,679</u>           | <u>(443,769)</u>    | <u>\$ 2,560,910</u> | <u>\$ 2,560,910</u>                |
| Fund balance, beginning of year        |                          |                               | <u>3,004,679</u>    |                     |                                    |
| Fund balance, end of year              |                          |                               | <u>\$ 2,560,910</u> |                     |                                    |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2024

|   | <b>Main Street Tax<br/>District Fund</b> | <b>Seventh Avenue<br/>Tax District<br/>Fund</b> | <b>Special Revenue<br/>Fund</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|---|--|---|---------------------------------|--|
| <b>ASSETS:</b>  |  |   |                                 |  |
| Cash and cash equivalents   | \$ -                                     | \$ -  | \$ 144,345                      | \$ 144,345                                       |
| Investments   | 10,778                                   | 5,253   | 10,172                          | 26,203   |
| Restricted cash and cash equivalents                                  | 93,333                                   | 46,822  | 254,725                         | 394,880  |
| Accounts receivable   | -  | -   | 97                              | 97   |
| Taxes receivable, net   | 11,738                                   | 1,041   | -                               | 12,779   |
| Due from other governments  | 85,288                                   | 17,480  | -                               | 102,768  |
| Prepays   | 150                                      | -   | -                               | 150  |
| Total assets  | <u>\$ 201,287</u>                        | <u>\$ 70,596</u>                                | <u>\$ 409,339</u>               | <u>\$ 681,222</u>                                |
| <b>LIABILITIES:</b>   |  |   |                                 |  |
| Account payable and accrued liabilities                               | \$ 26,265                                | \$ 2,502  | \$ 2,616                        | \$ 31,383  |
| Accrued salaries and benefits   | 8,264                                    | 2,287   | -                               | 10,551   |
| Total liabilities   | <u>34,529</u>                            | <u>4,789</u>                                    | <u>2,616</u>                    | <u>41,934</u>                                    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                 |  |   |                                 |  |
| Unavailable revenue - property taxes                                  | <u>11,738</u>                            | <u>1,041</u>                                    | <u>-</u>                        | <u>12,779</u>                                    |
| <b>FUND BALANCES:</b>   |  |   |                                 |  |
| Nonspendable:   |  |   |                                 |  |
| Prepays   | 150                                      | -   | -                               | 150  |
| Restricted for:   |  |   |                                 |  |
| Economic development  | 154,870                                  | 64,766  | -                               | 219,636  |
| Public safety   | -  | -   | 269,748                         | 269,748  |
| Committed:  |  |   |                                 |  |
| General government  | -  | -   | 136,975                         | 136,975  |
| Total fund balances   | <u>155,020</u>                           | <u>64,766</u>                                   | <u>406,723</u>                  | <u>626,509</u>                                   |
| Total liabilities, deferred inflows of<br>resources and fund balances | <u>\$ 201,287</u>                        | <u>\$ 70,596</u>                                | <u>\$ 409,339</u>               | <u>\$ 681,222</u>                                |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <b>Main Street Tax<br/>District Fund</b> | <b>Seventh Avenue<br/>Tax District<br/>Fund</b> | <b>Special Revenue<br/>Fund</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|--|--|---|---------------------------------|--|
| <b>Revenues:</b>                       |  |   |                                 |  |
| Ad valorem taxes                       | \$ 302,133                               | \$ 55,583                                       | \$ -                            | \$ 357,716                                       |
| Local option sales taxes               | 312,366                                  | 62,473  | -                               | 374,839  |
| Restricted intergovernmental           | -  | -   | 4,107                           | 4,107  |
| Sales and services                     | 35,022                                   | -   | -                               | 35,022   |
| Miscellaneous                          | -  | -   | 225,721                         | 225,721  |
| Investment earnings                    | 5,603                                    | 3,747   | 1,400                           | 10,750   |
| Total revenues                         | <u>655,124</u>                           | <u>121,803</u>                                  | <u>231,228</u>                  | <u>1,008,155</u>                                 |
| <b>Expenditures:</b>                   |  |   |                                 |  |
| Current:                               |  |   |                                 |  |
| General government                     | -  | -   | 213,025                         | 213,025  |
| Public safety                          | -  | -   | 35,330                          | 35,330   |
| Economic and physical<br>development   | 688,604                                  | 120,480   | -                               | 809,084  |
| Debt service:                          |  |   |                                 |  |
| Principal                              | 29,430                                   | -   | -                               | 29,430   |
| Interest                               | 15,778                                   | -   | -                               | 15,778   |
| Total expenditures                     | <u>733,812</u>                           | <u>120,480</u>                                  | <u>248,355</u>                  | <u>1,102,647</u>                                 |
| Revenues over (under) expenditures     | <u>(78,688)</u>                          | <u>1,323</u>                                    | <u>(17,127)</u>                 | <u>(94,492)</u>                                  |
| <b>Other Financing Sources (Uses):</b> |  |   |                                 |  |
| Transfer to other funds                | -  | (81,439)  | -                               | (81,439)   |
| Transfer from other funds              | -  | -   | 350,000                         | 350,000  |
| Total other financing sources (uses)   | <u>-</u>                                 | <u>(81,439)</u>                                 | <u>350,000</u>                  | <u>268,561</u>                                   |
| Net change in fund balances            | (78,688)                                 | (80,116)  | 332,873                         | 174,069  |
| Fund balances, beginning               | <u>233,708</u>                           | <u>144,882</u>                                  | <u>73,850</u>                   | <u>452,440</u>                                   |
| Fund balances, end of year             | <u>\$ 155,020</u>                        | <u>\$ 64,766</u>                                | <u>\$ 406,723</u>               | <u>\$ 626,509</u>                                |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

MAIN STREET TAX DISTRICT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

|                                   | <u>Budget</u>  | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|----------------|-------------------|---|
| <b>Revenues:</b>                  |                |                   |   |
| Ad valorem taxes                  | \$ 300,615     | \$ 302,133        | \$ 1,518                                    |
| Local option sales taxes          | 307,400        | 312,366           | 4,966                                       |
| Sales and services                | 35,088         | 35,022            | (66)  |
| Investment earnings               | 5,139          | 5,603             | 464   |
| Total revenues                    | <u>648,242</u> | <u>655,124</u>    | <u>6,882</u>                                |
| <b>Expenditures:</b>              |                |                   |   |
| Current:                          |                |                   |   |
| Economic and physical development |                |                   |   |
| Salaries and employee benefits    |                | 341,937           |   |
| Other operating expenditures      |                | 346,667           |   |
| Debt service:                     |                |                   |   |
| Principal                         |                | 29,430            |   |
| Interest                          |                | 15,778            |   |
| Total expenditures                | <u>819,004</u> | <u>733,812</u>    | <u>85,192</u>                               |
| Revenues under expenditures       | (170,762)      | (78,688)          | 92,074                                      |
| <b>Other Financing Sources:</b>   |                |                   |   |
| Fund balance appropriated         | <u>170,762</u> | <u>-</u>          | <u>(170,762)</u>                            |
| Net changes in fund balance       | <u>\$ -</u>    | <u>(78,688)</u>   | <u>\$ (78,688)</u>                          |
| Fund balance, beginning of year   |                | <u>233,708</u>    |   |
| Fund balance, end of year         |                | <u>\$ 155,020</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

SEVENTH AVENUE TAX DISTRICT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|------------------|------------------|---|
| <b>Revenues:</b>                       |                  |                  |   |
| Ad valorem taxes                       | \$ 53,100        | \$ 55,583        | \$ 2,483                                    |
| Local option sales taxes               | 61,490           | 62,473           | 983   |
| Sales and services                     | 5,000            | -                | (5,000)                                     |
| Investment earnings                    | 3,400            | 3,747            | 347   |
| Total revenues                         | <u>122,990</u>   | <u>121,803</u>   | <u>(1,187)</u>                              |
| <b>Expenditures:</b>                   |                  |                  |   |
| Current:                               |                  |                  |   |
| Economic and physical development      |                  |                  |   |
| Salaries and employee benefits         |                  | 97,313           |   |
| Other operating expenditures           |                  | 23,167           |   |
| Total expenditures                     | <u>267,872</u>   | <u>120,480</u>   | <u>147,392</u>                              |
| Revenues over (under) expenditures     | <u>(144,882)</u> | <u>1,323</u>     | <u>146,205</u>                              |
| <b>Other Financing Sources (uses):</b> |                  |                  |   |
| Fund balance appropriated              | 144,882          | -                | (144,882)                                   |
| Transfer to other funds                | -                | (81,439)         | (81,439)                                    |
| Total other financing sources (uses)   | <u>144,882</u>   | <u>(81,439)</u>  | <u>(226,321)</u>                            |
| Net changes in fund balance            | <u>\$ -</u>      | <u>(80,116)</u>  | <u>\$ (80,116)</u>                          |
| Fund balance, beginning of year        |                  | <u>144,882</u>   |   |
| Fund balance, end of year              |                  | <u>\$ 64,766</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

|                                      | <u>Budget</u>    | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|------------------|-------------------|---|
| <b>Revenues:</b>                     |                  |                   |   |
| Restricted intergovernmental         | \$ -             | \$ 4,107          | \$ 4,107                                    |
| Miscellaneous                        | -                | 225,721           | 225,721                                     |
| Investment earnings                  | -                | 1,400             | 1,400                                       |
| Total revenues                       | <u>-</u>         | <u>231,228</u>    | <u>231,228</u>                              |
| <b>Expenditures:</b>                 |                  |                   |   |
| Current:                             |                  |                   |   |
| General government                   | 350,000          | 213,025           | 136,975                                     |
| Public safety                        | 50,500           | 35,330            | 15,170                                      |
| Total expenditures                   | <u>400,500</u>   | <u>248,355</u>    | <u>152,145</u>                              |
| Revenues under expenditures          | <u>(400,500)</u> | <u>(17,127)</u>   | <u>383,373</u>                              |
| <b>Other Financing Sources:</b>      |                  |                   |   |
| Fund balance appropriated            | 50,500           | -                 | (50,500)                                    |
| Transfer from other funds            | 350,000          | 350,000           | -   |
| Total other financing sources (uses) | <u>400,500</u>   | <u>350,000</u>    | <u>(50,500)</u>                             |
| Net changes in fund balance          | <u>\$ -</u>      | 332,873           | <u>\$ 332,873</u>                           |
| Fund balance, beginning of year      |                  | <u>73,850</u>     |   |
| Fund balance, end of year            |                  | <u>\$ 406,723</u> |   |

## **NONMAJOR ENTERPRISE FUNDS**

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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**

NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2024

|  | <u>Nonmajor Enterprise Funds</u>       |                            |                     |
|--|--|----------------------------|---------------------|
|  | <u>Environmental<br/>Services Fund</u> | <u>Stormwater<br/>Fund</u> | <u>Total</u>        |
| <b>ASSETS</b>                                |  |                            |                     |
| Current assets:                              |  |                            |                     |
| Cash and cash equivalents                    | \$ 7,876                               | \$ -                       | \$ 7,876            |
| Investments                                  | 980                                    | -                          | 980                 |
| Accounts receivable, net                     | 247,424                                | 170,290                    | 417,714             |
| Due from other governments                   | 3,081                                  | 339,237                    | 342,318             |
| Prepays                                      | 50,000                                 | 10,120                     | 60,120              |
| Restricted cash and cash equivalents         | 341,781                                | 30,257                     | 372,038             |
| Total current assets                         | <u>651,142</u>                         | <u>549,904</u>             | <u>1,201,046</u>    |
| Noncurrent assets:                           |  |                            |                     |
| Capital assets:                              |  |                            |                     |
| Non-depreciable/amortizable                  | 11,134                                 | 1,446,843                  | 1,457,977           |
| Depreciable/amortizable capital assets, net  | 889,838                                | 981,451                    | 1,871,289           |
| Total capital assets, net                    | <u>900,972</u>                         | <u>2,428,294</u>           | <u>3,329,266</u>    |
| Total assets                                 | <u>1,552,114</u>                       | <u>2,978,198</u>           | <u>4,530,312</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |  |                            |                     |
| Pension deferrals                            | 352,335                                | 215,092                    | 567,427             |
| OPEB deferrals                               | 35,647                                 | 21,750                     | 57,397              |
| Total deferred outflows of resources         | <u>387,982</u>                         | <u>236,842</u>             | <u>624,824</u>      |
| <b>LIABILITIES</b>                           |  |                            |                     |
| Current liabilities:                         |  |                            |                     |
| Accounts payable                             | 288,840                                | 449,295                    | 738,135             |
| Accrued salaries and benefits                | 25,639                                 | 16,931                     | 42,570              |
| Accrued interest payable                     | 7,534                                  | 3,870                      | 11,404              |
| Retainage payable                            | -                                      | 10,808                     | 10,808              |
| Due to the other funds                       | 76,554                                 | 487,377                    | 563,931             |
| Compensated absences, current                | 24,968                                 | 23,637                     | 48,605              |
| Current portion of long-term debt            | 157,227                                | 68,121                     | 225,348             |
| Total current liabilities                    | <u>580,762</u>                         | <u>1,060,039</u>           | <u>1,640,801</u>    |
| Noncurrent liabilities:                      |  |                            |                     |
| Compensated absences, net of current portion | 21,205                                 | 21,889                     | 43,094              |
| Net pension liability - LGERS                | 573,288                                | 349,979                    | 923,267             |
| Total OPEB liability                         | 103,904                                | 63,399                     | 167,303             |
| Long-term debt, net of current portion       | 660,462                                | 426,714                    | 1,087,176           |
| Total noncurrent liabilities                 | <u>1,358,859</u>                       | <u>861,981</u>             | <u>2,220,840</u>    |
| Total liabilities                            | <u>1,939,621</u>                       | <u>1,922,020</u>           | <u>3,861,641</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |  |                            |                     |
| Pension deferrals                            | 5,874                                  | 3,586                      | 9,460               |
| OPEB deferrals                               | 51,092                                 | 31,174                     | 82,266              |
| Total deferred inflows of resources          | <u>56,966</u>                          | <u>34,760</u>              | <u>91,726</u>       |
| Net investment in capital assets             | 83,283                                 | 1,933,459                  | 2,016,742           |
| Unrestricted (deficit)                       | (139,774)                              | (675,199)                  | (814,973)           |
| Total net position (deficit)                 | <u>\$ (56,491)</u>                     | <u>\$ 1,258,260</u>        | <u>\$ 1,201,769</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

NONMAJOR PROPRIETARY FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | <u>Nonmajor Enterprise Funds</u>       |                            |                     |
|---|--|----------------------------|---------------------|
|   | <u>Environmental<br/>Services Fund</u> | <u>Stormwater<br/>Fund</u> | <u>Total</u>        |
| <b>OPERATING REVENUES</b>                 |  |                            |                     |
| Charges for services                      | \$ 1,762,897                           | \$ 1,234,806               | \$ 2,997,703        |
| Total operating revenues                  | <u>1,762,897</u>                       | <u>1,234,806</u>           | <u>2,997,703</u>    |
| <b>OPERATING EXPENSES</b>                 |  |                            |                     |
| Waste collection                          | 1,646,419                              | -                          | 1,646,419           |
| Stormwater management                     | -                                      | 980,906                    | 980,906             |
| Depreciation                              | 116,578                                | 80,016                     | 196,594             |
| Total operating expenses                  | <u>1,762,997</u>                       | <u>1,060,922</u>           | <u>2,823,919</u>    |
| Operating income (loss)                   | <u>(100)</u>                           | <u>173,884</u>             | <u>173,784</u>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |  |                            |                     |
| Investment earnings                       | 9,830                                  | 1,171                      | 11,001              |
| Sale of capital assets                    | 7,900                                  | -                          | 7,900               |
| Interest expense                          | (22,513)                               | (15,743)                   | (38,256)            |
| Total nonoperating revenue (expense), net | <u>(4,783)</u>                         | <u>(14,572)</u>            | <u>(19,355)</u>     |
| Income (loss) before contributions        | (4,883)                                | 159,312                    | 154,429             |
| <b>CAPITAL CONTRIBUTIONS</b>              |  |                            |                     |
| Capital contributions                     | <u>-</u>                               | <u>625,772</u>             | <u>625,772</u>      |
| Change in net position                    | (4,883)                                | 785,084                    | 780,201             |
| Net position (deficit), beginning of year | <u>(51,608)</u>                        | <u>473,176</u>             | <u>421,568</u>      |
| Net position (deficit), end of year       | <u>\$ (56,491)</u>                     | <u>\$ 1,258,260</u>        | <u>\$ 1,201,769</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024

|  | <b>Nonmajor Enterprise Funds</b>       |                            |                   |
|--|--|----------------------------|-------------------|
|  | <b>Environmental<br/>Services Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>      |
| <b>Cash flows from operating activities:</b>                         |  |                            |                   |
| Cash received from customers   | \$ 1,761,949                           | \$ 1,210,534               | \$ 2,972,483      |
| Cash paid for goods and services                                     | (427,782)                              | (507,382)                  | (935,164)         |
| Cash paid to employees   | (940,714)                              | (339,756)                  | (1,280,470)       |
| Net cash provided by operating activities                            | <u>393,453</u>                         | <u>363,396</u>             | <u>756,849</u>    |
| <b>Cash flows from noncapital financing activities:</b>              |  |                            |                   |
| Due to general fund  | <u>(79,888)</u>                        | <u>380,731</u>             | <u>300,843</u>    |
| <b>Cash flows from capital and related financing activities:</b>     |  |                            |                   |
| Proceeds on sale of assets   | 7,900                                  | -                          | 7,900             |
| Capital contributions  | -                                      | 418,500                    | 418,500           |
| Acquisition and construction of capital assets                       | (320,866)                              | (1,049,758)                | (1,370,624)       |
| Proceeds from issuance of long-term debt                             | 477,004                                | -                          | 477,004           |
| Principal retirement   | (119,464)                              | (67,945)                   | (187,409)         |
| Interest paid on long-term debt                                      | (17,332)                               | (15,838)                   | (33,170)          |
| Net cash provided (used) by capital and related financing activities | <u>27,242</u>                          | <u>(715,041)</u>           | <u>(687,799)</u>  |
| <b>Cash flows from investing activities:</b>                         |  |                            |                   |
| Purchases of investments, net  | (980)                                  | -                          | (980)             |
| Interest on investments  | 9,830                                  | 1,171                      | 11,001            |
| Net cash provided by investing activities                            | <u>8,850</u>                           | <u>1,171</u>               | <u>10,021</u>     |
| Net increase in cash and cash equivalents                            | 349,657                                | 30,257                     | 379,914           |
| Cash and cash equivalents, beginning of year                         | <u>-</u>                               | <u>-</u>                   | <u>-</u>          |
| Cash and cash equivalents, end of year                               | <u>\$ 349,657</u>                      | <u>\$ 30,257</u>           | <u>\$ 379,914</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Nonmajor Enterprise Funds</u>       |                            |                   |
|--|--|----------------------------|-------------------|
|  | <u>Environmental<br/>Services Fund</u> | <u>Stormwater<br/>Fund</u> | <u>Total</u>      |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>        |  |                            |                   |
| Operating income (loss)  | \$ (100)                               | \$ 173,884                 | \$ 173,784        |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |  |                            |                   |
| Depreciation   | 116,578                                | 80,016                     | 196,594           |
| Changes in assets and liabilities:   |  |                            |                   |
| (Increase) decrease in accounts receivable   | (948)                                  | (24,272)                   | (25,220)          |
| (Increase) decrease in due from other governments  | (3,081)                                | (339,237)                  | (342,318)         |
| (Increase) decrease in prepaids  | (50,000)                               | (10,120)                   | (60,120)          |
| (Increase) decrease in deferred outflows of resources for pensions                             | (33,398)                               | (20,387)                   | (53,785)          |
| (Increase) decrease in deferred outflows of resources for OPEB                                 | 4,297                                  | 2,622                      | 6,919             |
| Increase (decrease) in accounts payable and accrued liabilities                                | 259,346                                | 428,763                    | 688,109           |
| Increase (decrease) in customer deposits   | -                                      | -                          | -                 |
| Increase (decrease) in compensated absences  | (886)                                  | 10,073                     | 9,187             |
| Increase (decrease) in net pension liability - LGERS   | 108,704                                | 66,361                     | 175,065           |
| Increase (decrease) in OPEB liability  | (33,588)                               | (20,494)                   | (54,082)          |
| Increase (decrease) in deferred inflows of resources - pensions                                | (479)                                  | (292)                      | (771)             |
| Increase (decrease) in deferred inflows of resources - OPEB                                    | 27,008                                 | 16,479                     | 43,487            |
| Total adjustment   | <u>393,553</u>                         | <u>189,512</u>             | <u>583,065</u>    |
| Net cash provided (used) by operating activities   | <u>\$ 393,453</u>                      | <u>\$ 363,396</u>          | <u>\$ 756,849</u> |
| <b>Noncash Capital and Related Financing Activities</b>  |  |                            |                   |
| Donations of capital assets  | <u>\$ -</u>                            | <u>\$ 207,272</u>          | <u>\$ 207,272</u> |

**BUDGETARY COMPARISON SCHEDULES (NON-GAAP)**

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**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, 2024

|                                | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|-------------------|-------------------|---|
| <b>Revenues:</b>               |                   |                   |   |
| Operating revenues:            |                   |                   |   |
| Charges for services           |                   |                   |   |
| Water sales                    |                   | \$ 15,942,161     |   |
| Sewer charges                  |                   | 7,768,756         |   |
| Miscellaneous                  |                   | 611,300           |   |
| Water and sewer taps           |                   | <u>587,374</u>    |   |
| Total operating revenues       | \$ 24,936,910     | <u>24,909,591</u> | \$ (27,319)                                 |
| Non-operating revenues:        |                   |                   |   |
| Lease revenue                  |                   | 25,378            |   |
| Investment income (loss)       |                   | <u>308,768</u>    |   |
| Total non-operating revenues   | <u>290,200</u>    | <u>334,146</u>    | 43,946                                      |
| <br>                           |                   |                   |   |
| Total revenues                 | <u>25,227,110</u> | <u>25,243,737</u> | 16,627                                      |
| <br>                           |                   |                   |   |
| <b>Expenditures:</b>           |                   |                   |   |
| General Business:              |                   |                   |   |
| Salaries and employee benefits |                   | 4,489,441         |   |
| Operating expenditures         |                   | 2,943,976         |   |
| Capital outlay                 |                   | <u>25,360</u>     |   |
| Total general business         | <u>8,374,604</u>  | <u>7,458,777</u>  | 915,827                                     |
| <br>                           |                   |                   |   |
| Water Facilities:              |                   |                   |   |
| Salaries and employee benefits |                   | 618,731           |   |
| Operating expenditures         |                   | 524,434           |   |
| Capital outlay                 |                   | <u>76,094</u>     |   |
| Total water facilities         | <u>1,387,531</u>  | <u>1,219,259</u>  | 168,272                                     |
| <br>                           |                   |                   |   |
| Water Treatment:               |                   |                   |   |
| Salaries and employee benefits |                   | 1,102,398         |   |
| Operating expenditures         |                   | 1,098,201         |   |
| Capital outlay                 |                   | -                 |   |
| Total water treatment          | <u>2,463,836</u>  | <u>2,200,599</u>  | 263,237                                     |
| <br>                           |                   |                   |   |
| Water Operations:              |                   |                   |   |
| Salaries and employee benefits |                   | 615,293           |   |
| Operating expenditures         |                   | <u>126,174</u>    |   |
| Total water operations         | <u>800,673</u>    | <u>741,467</u>    | 59,206                                      |

**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, 2024

|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-------------------|-------------------|---|
| <b>Expenditures (continued):</b>        |                   |                   |   |
| Water Distribution:                     |                   |                   |   |
| Salaries and employee benefits          |                   | 1,934,845         |   |
| Operating expenditures                  |                   | 1,456,681         |   |
| Capital outlay                          |                   | 319,184           |   |
| Total water distribution                | <u>3,746,091</u>  | <u>3,710,710</u>  | <u>35,381</u>                               |
| Wastewater Facilities Maintenance:      |                   |                   |   |
| Salaries and employee benefits          |                   | 307,455           |   |
| Operating expenditures                  |                   | 5,186             |   |
| Capital outlay                          |                   | 129,092           |   |
| Total wastewater facilities maintenance | <u>482,926</u>    | <u>441,733</u>    | <u>41,193</u>                               |
| Wastewater Treatment:                   |                   |                   |   |
| Salaries and employee benefits          |                   | 787,692           |   |
| Operating expenditures                  |                   | 882,295           |   |
| Capital outlay                          |                   | 18,105            |   |
| Total wastewater treatment              | <u>1,920,691</u>  | <u>1,688,092</u>  | <u>232,599</u>                              |
| Wastewater Operations Support:          |                   |                   |   |
| Salaries and employee benefits          |                   | 313,307           |   |
| Operating expenditures                  |                   | 657               |   |
| Total wastewater operations support     | <u>320,965</u>    | <u>313,964</u>    | <u>7,001</u>                                |
| Wastewater Collection:                  |                   |                   |   |
| Salaries and employee benefits          |                   | 948,724           |   |
| Operating expenditures                  |                   | 497,226           |   |
| Capital outlay                          |                   | 59,469            |   |
| Total wastewater collection             | <u>1,698,898</u>  | <u>1,505,419</u>  | <u>193,479</u>                              |
| Debt Service:                           |                   |                   |   |
| Principal                               |                   | 3,063,763         |   |
| Interest                                |                   | 965,296           |   |
| Total debt service                      | <u>4,220,818</u>  | <u>4,029,059</u>  | <u>191,759</u>                              |
| Total expenditures                      | <u>25,417,033</u> | <u>23,309,079</u> | <u>2,107,954</u>                            |
| Revenues under expenditures             | <u>(189,923)</u>  | <u>1,934,658</u>  | <u>2,124,581</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, 2024

|  | <u>Budget</u>   | <u>Actual</u>            | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-----------------|--------------------------|---|
| <b>Other Financing Sources (Uses):</b>   |                 |                          |   |
| Fund balance appropriated  | 636,438         | -                        | (636,438)                                   |
| Lease liabilities issued   | -               | 4,943                    | 4,943                                       |
| Sale of capital assets   | 88,000          | 93,422                   | 5,422                                       |
| Transfer to other funds  | (839,000)       | (839,000)                | -   |
| Transfer from other funds  | 304,485         | 410,078                  | 105,593                                     |
| Total other financing sources (uses)   | <u>189,923</u>  | <u>(330,557)</u>         | <u>(520,480)</u>                            |
| <br>Revenues and other sources<br>over expenditures  | <br><u>\$ -</u> | <br>1,604,101            | <br><u>\$ 1,604,101</u>                     |
| <br>Reconciliation from budgetary basis<br>(modified accrual) to full accrual:                                       |                 |                          |   |
| <br>Reconciling items:   |                 |                          |   |
| Lease liabilities issued   |                 | (4,943)                  |   |
| Principal payments on long-term debt   |                 | 3,063,763                |   |
| Change in accrued interest payable   |                 | 26,973                   |   |
| Lease revenue  |                 | 18,731                   |   |
| Change in net pension liability and related<br>deferred outflows of resource and deferred<br>inflows of resources    |                 | (772,527)                |   |
| Change in net total OPEB liability and related<br>deferred outflows of resource and deferred<br>inflows of resources |                 | 23,584                   |   |
| Change in compensated absences   |                 | (157,715)                |   |
| Purchase of capital assets   |                 | 627,304                  |   |
| Donated capital assets   |                 | 7,289,879                |   |
| Net book value of capital asset disposals  |                 | (9,644)                  |   |
| Depreciation and amortization  |                 | (4,312,354)              |   |
| Noncapitalized expenses - Water and Sewer Capital Projects Fund  |                 | (547,807)                |   |
| Capital contributions - Water and Sewer Capital Reserve Fund   |                 | (36,644)                 |   |
| Net transfers of the Water and Sewer Capital Projects Fund   |                 | 5,661,338                |   |
| Investment earnings - Water and Sewer Capital Projects Fund  |                 | 244,468                  |   |
| Miscellaneous revenue - Water and Sewer Capital Projects Fund  |                 | 36,917                   |   |
| Total reconciling items  |                 | <u>11,156,266</u>        |   |
| <br>Change in net position   |                 | <br><u>\$ 12,755,424</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|---------------|--------------------|---|
| <b>Other Financing Sources (Uses):</b> |               |                    |   |
| Fund balance appropriated              | \$ 133,780    | \$ -               | \$ (133,780)                                |
| Transfer to other funds                | (233,780)     | (143,152)          | 90,628                                      |
| Transfer from other funds              | 100,000       | 106,508            | 6,508                                       |
| Total other financing sources (uses)   | <u>-</u>      | <u>(36,644)</u>    | <u>(36,644)</u>                             |
| <br>                                   |               |                    |   |
| Net change in fund balances            | <u>\$ -</u>   | <u>\$ (36,644)</u> | <u>\$ (36,644)</u>                          |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|  | Project<br>Authorization | Actual                        |                 |                  | Variance<br>Positive<br>(Negative) |
|--|--------------------------|-------------------------------|-----------------|------------------|------------------------------------|
|  |                          | Reported<br>In Prior<br>Years | Current<br>Year | Total<br>to Date |                                    |
| <b>Revenues:</b>                             |                          |                               |                 |                  |                                    |
| Grant revenue                                | \$ 560,000               | \$ 506,899                    | \$ -            | \$ 506,899       | \$ (53,101)                        |
| Miscellaneous                                | 350,000                  | 400,000                       | 36,917          | 436,917          | 86,917                             |
| Investment earnings                          | 338,247                  | 107,017                       | 244,468         | 351,485          | 13,238                             |
| Total revenues                               | 1,248,247                | 1,013,916                     | 281,385         | 1,295,301        | 47,054                             |
| <b>Expenditures:</b>                         |                          |                               |                 |                  |                                    |
| Etowah - 2019 Rev Bond                       | 8,007,231                | 7,808,155                     | 200,750         | 8,008,905        | (1,674)                            |
| Northside - State SRF                        | 6,028,700                | 5,525,006                     | 6,421           | 5,531,427        | 497,273                            |
| French Broad - Fed SRF                       | 23,052,935               | 14,514,917                    | 7,033,166       | 21,548,083       | 1,504,852                          |
| WWTP UV Disinfection Improvements            | 3,910,288                | 803,144                       | 2,528,616       | 3,331,760        | 578,528                            |
| WWTP Generator                               | 1,650,472                | 1,650,472                     | -               | 1,650,472        | -                                  |
| Biosolids Dryer                              | 17,492,000               | 191,666                       | 905,884         | 1,097,550        | 16,394,450                         |
| WWTP Gravity Filter Replacement              | 2,610,000                | 1,744,869                     | -               | 1,744,869        | 865,131                            |
| Rutledge Road Improvements                   | 476,000                  | 10,744                        | -               | 10,744           | 465,256                            |
| Old Airport Road - 2022 Rev Bond             | 650,461                  | 650,461                       | -               | 650,461          | -                                  |
| NCDOT I26 - 2023 Rev Bond                    | 3,268,415                | 1,617,226                     | 1,651,189       | 3,268,415        | -                                  |
| Ladson Road                                  | 270,450                  | 287,937                       | -               | 287,937          | (17,487)                           |
| Long John Mountain - 2023 Rev Bond           | 1,000,000                | 8,500                         | 981,183         | 989,683          | 10,317                             |
| 4th and Ashe St Improvements                 | 4,524,945                | 84,605                        | 190             | 84,795           | 4,440,150                          |
| Highland Square Sewer                        | 178,492                  | 178,492                       | -               | 178,492          | -                                  |
| Mud Creek Interceptor                        | 5,600,000                | 134,499                       | -               | 134,499          | 5,465,501                          |
| Clear Creek Interceptor - 2022 Rev Bond      | 4,687,030                | 4,612,189                     | 71,286          | 4,683,475        | 3,555                              |
| WWTP Master Plan                             | 460,000                  | 413,457                       | -               | 413,457          | 46,543                             |
| North Fork Dredging - 2023 Rev Bond          | 1,103,929                | 424,285                       | 543,607         | 967,892          | 136,037                            |
| WWTF Equalization Basin                      | 6,000,000                | 86,806                        | -               | 86,806           | 5,913,194                          |
| Church and King - 22.23 Rev Bond             | 1,192,043                | 385,153                       | 694,095         | 1,079,248        | 112,795                            |
| Ewart Hill Reservoir - 2022 Rev Bond         | 739,450                  | 739,450                       | -               | 739,450          | -                                  |
| Hebron Zone Water Improvement                | 550,000                  | 403,375                       | -               | 403,375          | 146,625                            |
| City Hall/Ops Renovation                     | 446,030                  | 127,972                       | -               | 127,972          | 318,058                            |
| WTP 15 MGD Expansion                         | 2,131,500                | 21,297                        | 249,538         | 270,835          | 1,860,665                          |
| Laurel Park Meter - Rev Bond                 | 400,000                  | 337,001                       | -               | 337,001          | 62,999                             |
| Fleetwood Infrastructure Imp - 2023 Rev Bond | 1,557,917                | 127,307                       | 702,084         | 829,391          | 728,526                            |
| Sewer Infrastructure Streambank Restoration  | 600,000                  | 59,450                        | 26,134          | 85,584           | 514,416                            |
| WWTP Aeration Basin - Federal Grant          | 1,623,492                | 115,147                       | 1,255,290       | 1,370,437        | 253,055                            |
| City Hall Exterior Renovations               | 246,317                  | 98,637                        | -               | 98,637           | 147,680                            |
| Laurel Park Generators                       | 140,000                  | 9,788                         | 121,411         | 131,199          | 8,801                              |
| CCTV Truck Replacement                       | 375,000                  | 354,105                       | -               | 354,105          | 20,895                             |
| Garrison/Golden Leaf                         | 800,000                  | 618,505                       | -               | 618,505          | 181,495                            |
| FY22 Vehicle & Equipment                     | 128,510                  | 64,254                        | -               | 64,254           | 64,256                             |
| Water Dist Master Plan                       | 200,200                  | 105,981                       | -               | 105,981          | 94,219                             |
| AMI Meter - 2023 Rev Bond                    | 525,000                  | -                             | 445,962         | 445,962          | 79,038                             |
| W&S Generator Project                        | 274,000                  | -                             | 6,866           | 6,866            | 267,134                            |
| Somersby                                     | 135,000                  | -                             | 69,500          | 69,500           | 65,500                             |
| WTP Thickener Drive                          | 110,000                  | -                             | 96,440          | 96,440           | 13,560                             |
| Apple Ridge                                  | 800,000                  | -                             | -               | -                | 800,000                            |
| Vactor Truck - 2023 Rev Bond                 | 523,100                  | -                             | -               | -                | 523,100                            |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|  | Actual                   |                               |                 | Variance<br>Positive<br>(Negative) |                  |
|--|--------------------------|-------------------------------|-----------------|------------------------------------|------------------|
|  | Project<br>Authorization | Reported<br>In Prior<br>Years | Current<br>Year |                                    | Total<br>to Date |
| FY24 Vehicles and Equipment            | 589,000                  | -                             | 569,519         | 569,519                            | 19,481           |
| FY25 Vehicles and Equipment            | 530,000                  | -                             | 103,355         | 103,355                            | 426,645          |
| Total expenditures                     | 105,587,907              | 44,314,852                    | 18,262,486      | 62,577,338                         | 43,010,569       |
| Revenues under expenditures            | (104,339,660)            | (43,300,936)                  | (17,981,101)    | (61,282,037)                       | 43,057,623       |
| <b>Other Financing Sources (Uses):</b> |                          |                               |                 |                                    |                  |
| Transfers from other funds             | 44,272,980               | 17,135,928                    | 6,127,872       | 23,263,800                         | (21,009,180)     |
| Transfers to other funds               | (7,116,000)              | (8,457,484)                   | (466,534)       | (8,924,018)                        | (1,808,018)      |
| Issuance of long-term debt             | 67,182,680               | 40,750,059                    | 7,159,884       | 47,909,943                         | (19,272,737)     |
| Total other financing sources (uses)   | 104,339,660              | 49,428,503                    | 12,821,222      | 62,249,725                         | (42,089,935)     |
| Net change in fund balance             | \$ -                     | \$ 6,127,567                  | \$ (5,159,879)  | \$ 967,688                         | \$ 967,688       |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

PARKING SERVICES FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|------------------|------------------|---|
| <b>Revenues:</b>                                 |                  |                  |   |
| Operating revenues:                              |                  |                  |   |
| Charges for services                             |                  | \$ 1,103,099     |   |
| Total operating revenues                         | \$ 1,126,600     | <u>1,103,099</u> | \$ (23,501)                                 |
| Non-operating revenues:                          |                  |                  |   |
| Investment income (loss)                         |                  | <u>4,936</u>     |   |
| Total non-operating revenues                     | <u>-</u>         | <u>4,936</u>     | <u>4,936</u>                                |
| Total revenues                                   | <u>1,126,600</u> | <u>1,108,035</u> | <u>(18,565)</u>                             |
| <b>Expenditures:</b>                             |                  |                  |   |
| Operations:                                      |                  |                  |   |
| Salaries and employee benefits                   |                  | 177,465          |   |
| Operating expenditures                           |                  | 211,558          |   |
| Capital outlay                                   |                  | <u>6,530</u>     |   |
| Total expenditures                               | <u>452,820</u>   | <u>395,553</u>   | <u>57,267</u>                               |
| Debt Service:                                    |                  |                  |   |
| Principal  |                  | 395,000          |   |
| Interest   |                  | <u>417,200</u>   |   |
| Total debt service                               | <u>812,200</u>   | <u>812,200</u>   | <u>-</u>                                    |
| Total expenditures                               | <u>1,265,020</u> | <u>1,207,753</u> | <u>57,267</u>                               |
| Revenues under expenditures                      | (138,420)        | (99,718)         | 38,702                                      |
| <b>Other Financing Sources:</b>                  |                  |                  |   |
| Fund balance appropriated                        | <u>138,420</u>   | <u>-</u>         | <u>(138,420)</u>                            |
| Revenues and other sources<br>under expenditures | <u>\$ -</u>      | <u>(99,718)</u>  | <u>\$ (99,718)</u>                          |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

PARKING SERVICES FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|---------------|------------------|---|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |               |                  |   |
| Reconciling items:   |               |                  |   |
| Principal payments on long-term debt   |               | 395,000          |   |
| Amortization of bond premiums  |               | 159,492          |   |
| Change in accrued interest payable   |               | 1,623            |   |
| Change in compensated absences   |               | (6,005)          |   |
| Purchase of capital assets   |               | 6,530            |   |
| Depreciation and amortization  |               | <u>(431,902)</u> |   |
| Total reconciling items  |               | <u>124,738</u>   |   |
| Change in net position   |               | <u>\$ 25,020</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

ENVIRONMENTAL SERVICES FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|------------------|------------------|---|
| <b>Revenues:</b>                                |                  |                  |   |
| Operating revenues:                             |                  |                  |   |
| Charges for services                            |                  | \$ 1,762,897     |   |
| Total operating revenues                        | \$ 1,809,700     | <u>1,762,897</u> | \$ (46,803)                                 |
| Non-operating revenues:                         |                  |                  |   |
| Investment earnings (loss)                      |                  | (306)            |   |
| Total non-operating revenues                    | 1,820            | <u>(306)</u>     | <u>(2,126)</u>                              |
| Total revenues                                  | <u>1,811,520</u> | <u>1,762,591</u> | <u>(48,929)</u>                             |
| <b>Expenditures:</b>                            |                  |                  |   |
| Operations:                                     |                  |                  |   |
| Salaries and employee benefits                  |                  | 1,016,503        |   |
| Operating expenditures                          |                  | 558,257          |   |
| Total operations                                | 1,717,995        | <u>1,574,760</u> | <u>143,235</u>                              |
| Debt Service:                                   |                  |                  |   |
| Principal                                       |                  | 119,464          |   |
| Interest  |                  | 17,332           |   |
| Total debt service                              | 155,560          | <u>136,796</u>   | <u>18,764</u>                               |
| Total expenditures                              | <u>1,873,555</u> | <u>1,711,556</u> | <u>161,999</u>                              |
| Revenues over (under) expenditures              | <u>(62,035)</u>  | <u>51,035</u>    | <u>113,070</u>                              |
| <b>Other Financing Sources:</b>                 |                  |                  |   |
| Fund balance appropriated                       | 62,035           | -                | (62,035)                                    |
| Sale of capital assets                          | -                | 7,900            | 7,900                                       |
| Total other financing sources                   | <u>62,035</u>    | <u>7,900</u>     | <u>(54,135)</u>                             |
| Revenues and other sources<br>over expenditures | <u>\$ -</u>      | <u>58,935</u>    | <u>\$ 58,935</u>                            |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

ENVIRONMENTAL SERVICES FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | <u>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|---------------|-------------------|---|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b>                                |               |                   |   |
| Reconciling items:  |               |                   |   |
| Principal payments on long-term debt  |               | 119,464           |   |
| Change in accrued interest payable  |               | (5,181)           |   |
| Change in net pension liability and related deferred<br>outflows of resource and deferred inflows of resources    |               | (74,827)          |   |
| Change in net total OPEB liability and related deferred<br>outflows of resource and deferred inflows of resources |               | 2,283             |   |
| Change in compensated absences  |               | 885               |   |
| Depreciation and amortization   |               | (116,578)         |   |
| Investment earnings - Environmental Services Capital Projects Fund  |               | 10,136            |   |
| Total reconciling items   |               | <u>(63,818)</u>   |   |
| Change in net position  |               | <u>\$ (4,883)</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

ENVIRONMENTAL SERVICES CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|                                 | Project<br>Authorization | Actual                        |                 | Variance<br>Positive<br>(Negative) |                  |
|---------------------------------|--------------------------|-------------------------------|-----------------|------------------------------------|------------------|
|                                 |                          | Reported<br>In Prior<br>Years | Current<br>Year |                                    | Total<br>to Date |
| <b>Revenues:</b>                |                          |                               |                 |                                    |                  |
| Investment earnings             | \$ -                     | \$ -                          | \$ 10,136       | \$ 10,136                          | \$ 10,136        |
| <b>Expenditures:</b>            |                          |                               |                 |                                    |                  |
| FY24 Vehicles and Equipment     | 500,000                  | -                             | 320,866         | 320,866                            | 179,134          |
| Revenues under expenditures     | (500,000)                | -                             | (310,730)       | (310,730)                          | 189,270          |
| <b>Other Financing Sources:</b> |                          |                               |                 |                                    |                  |
| Issuance of long-term debt      | 500,000                  | -                             | 477,004         | 477,004                            | 22,996           |
| Net change in fund balance      | \$ -                     | \$ -                          | \$ 166,274      | \$ 166,274                         | \$ 166,274       |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

STORMWATER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | <u>Budget</u>    | <u>Actual</u>    | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|------------------|------------------|---|
| <b>Revenues:</b>  |                  |                  |   |
| Operating revenues:   |                  |                  |   |
| Charges for services  |                  | \$ 1,234,806     |   |
| Total operating revenues  | \$ 1,232,000     | <u>1,234,806</u> | \$ 2,806                                    |
| Non-operating revenues:   |                  |                  |   |
| Investment earnings   |                  | 1,171            |   |
| Total non-operating revenues                                    | 4,575            | <u>1,171</u>     | <u>(3,404)</u>                              |
| Total revenues  | <u>1,236,575</u> | <u>1,235,977</u> | <u>(598)</u>                                |
| <b>Expenditures:</b>  |                  |                  |   |
| Operations:   |                  |                  |   |
| Salaries and employee benefits                                  |                  | 812,073          |   |
| Operating expenditures  |                  | 103,417          |   |
| Capital outlay  |                  | 145,512          |   |
| Total operations  | 1,244,791        | <u>1,061,002</u> | <u>183,789</u>                              |
| Debt Service:   |                  |                  |   |
| Principal   |                  | 67,945           |   |
| Interest  |                  | 15,837           |   |
| Total debt service  | 85,078           | <u>83,782</u>    | <u>1,296</u>                                |
| Total expenditures  | <u>1,329,869</u> | <u>1,144,784</u> | <u>185,085</u>                              |
| Revenues over (under) expenditures                              | <u>(93,294)</u>  | <u>91,193</u>    | <u>184,487</u>                              |
| <b>Other Financing Sources (Uses):</b>                          |                  |                  |   |
| Fund balance appropriated                                       | 266,294          | -                | (266,294)                                   |
| Transfer to other funds   | <u>(173,000)</u> | <u>(153,000)</u> | <u>20,000</u>                               |
| Total other financing sources (uses)                            | <u>93,294</u>    | <u>(153,000)</u> | <u>(246,294)</u>                            |
| Revenues and other sources<br>under expenditures and other uses | <u>\$ -</u>      | <u>(61,807)</u>  | <u>\$ (61,807)</u>                          |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

STORMWATER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | <u>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|---------------|-------------------|---|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b>                                |               |                   |   |
| Reconciling items:  |               |                   |   |
| Principal payments on long-term debt  |               | 67,945            |   |
| Change in accrued interest payable  |               | 95                |   |
| Change in net pension liability and related deferred<br>outflows of resource and deferred inflows of resources    |               | (45,682)          |   |
| Change in net total OPEB liability and related deferred<br>outflows of resource and deferred inflows of resources |               | 1,393             |   |
| Change in compensated absences  |               | (10,072)          |   |
| Purchase of capital assets  |               | 145,512           |   |
| Donated capital assets  |               | 207,272           |   |
| Depreciation and amortization   |               | (80,016)          |   |
| Noncapitalized expenses - Stormwater Capital Projects Fund  |               | (11,056)          |   |
| Transfers of the Stormwater Capital Projects Fund   |               | 153,000           |   |
| Capital contributions - Stormwater Capital Projects Fund  |               | 418,500           |   |
| Total reconciling items   |               | <u>846,891</u>    |   |
| Change in net position  |               | <u>\$ 785,084</u> |   |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

STORMWATER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024

|                                 | Project<br>Authorization | Reported<br>In Prior<br>Years | Actual          |                  | Variance<br>Positive<br>(Negative) |
|---------------------------------|--------------------------|-------------------------------|-----------------|------------------|------------------------------------|
|                                 |                          |                               | Current<br>Year | Total<br>to Date |                                    |
| <b>Revenues:</b>                |                          |                               |                 |                  |                                    |
| Grant revenue                   | \$ 3,478,165             | \$ -                          | \$ 418,500      | \$ 418,500       | \$ (3,059,665)                     |
| <b>Expenditures:</b>            |                          |                               |                 |                  |                                    |
| Lower Mud Creek Floodplain      | 3,127,465                | 23,933                        | 318,634         | 342,567          | 2,784,898                          |
| Sullivan Park Streambank        | 428,000                  | 386                           | 422,476         | 422,862          | 5,138                              |
| 7th Avenue Streetscape          | 250,000                  | -                             | 174,192         | 174,192          | 75,808                             |
| Total expenditures              | 3,805,465                | 24,319                        | 915,302         | 939,621          | 2,865,844                          |
| Revenues under expenditures     | (327,300)                | (24,319)                      | (496,802)       | (521,121)        | (193,821)                          |
| <b>Other Financing Sources:</b> |                          |                               |                 |                  |                                    |
| Transfers (to) from other funds | 327,300                  | (1,077)                       | 153,000         | 151,923          | (175,377)                          |
| Net change in fund balance      | \$ -                     | \$ (25,396)                   | \$ (343,802)    | \$ (369,198)     | \$ (369,198)                       |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

HEALTH AND WELFARE INTERNAL SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2024

|                                 | <u>Final Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------|---------------------|------------------|---|
| <b>Revenues:</b>                |                     |                  |   |
| Charges for services            | \$ 457,466          | \$ 342,456       | \$ (115,010)                                |
| Investment earnings             | -                   | 751              | 751   |
| Miscellaneous                   | 13,000              | 26,031           | 13,031                                      |
| Total revenues                  | <u>470,466</u>      | <u>369,238</u>   | <u>(101,228)</u>                            |
| <b>Expenditures:</b>            |                     |                  |   |
| Current:                        |                     |                  |   |
| Employee benefits               | <u>470,466</u>      | <u>444,182</u>   | <u>26,284</u>                               |
| Change in net position          | <u>\$ -</u>         | <u>(74,944)</u>  | <u>\$ (74,944)</u>                          |
| Net position, beginning of year |                     | <u>99,180</u>    |   |
| Net position, end of year       |                     | <u>\$ 24,236</u> |   |

## PROPERTY TAXES

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**CITY OF HENDERSONVILLE, NORTH CAROLINA**

GENERAL FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2024

| <b>Fiscal Year</b>                         | <b>Uncollected<br/>Balance<br/>July 1, 2023</b> | <b>Additions</b>     | <b>Collections<br/>and Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2024</b> |
|--|---|----------------------|------------------------------------|--|
| 2023-2024                                  | \$ -  | \$ 14,912,294        | \$ 14,807,794                      | \$ 104,500                                       |
| 2022-2023                                  | 155,065   | -                    | 75,633                             | 79,432   |
| 2021-2022                                  | 16,239  | -                    | 12,639                             | 3,600  |
| 2020-2021                                  | 4,896   | -                    | 1,099                              | 3,797  |
| 2019-2020                                  | 43,052  | -                    | 1,963                              | 41,089   |
| 2018-2019                                  | 64,256  | -                    | -                                  | 64,256   |
| 2017-2018                                  | 34,093  | -                    | -                                  | 34,093   |
| 2016-2017                                  | 19,661  | -                    | -                                  | 19,661   |
| 2015-2016                                  | 22,580  | -                    | -                                  | 22,580   |
| 2014-2015                                  | 17,824  | -                    | -                                  | 17,824   |
| 2013-2014                                  | 15,392  | -                    | -                                  | 15,392   |
| 2012-2013                                  | 9,743   | -                    | -                                  | 9,743  |
| 2011-2012                                  | 10,235  | -                    | -                                  | 10,235   |
| 2010-2011                                  | 9,883   | -                    | -                                  | 9,883  |
| 2009-2010                                  | 9,448   | -                    | -                                  | 9,448  |
| 2008-2009                                  | 14,559  | -                    | -                                  | 14,559   |
| 2007-2008                                  | 18,604  | -                    | -                                  | 18,604   |
| 2006-2007                                  | 10,018  | -                    | -                                  | 10,018   |
| 2005-2006                                  | 2,590   | -                    | -                                  | 2,590  |
| <b>Total</b>                               | <b>\$ 478,138</b>                               | <b>\$ 14,912,294</b> | <b>\$ 14,899,128</b>               | <b>491,304</b>                                   |
| Less: allowance for uncollectible accounts |   |                      |                                    | <u>(268,506)</u>                                 |
| Ad valorem taxes receivable, net           |   |                      |                                    | <u>\$ 222,798</u>                                |
| Reconciliation with Revenues:              |   |                      |                                    |  |
| Ad valorem taxes - General Fund            |   |                      |                                    | <u>\$ 14,917,563</u>                             |
| Reconciling items:                         |   |                      |                                    |  |
| Penalties and interest                     |   |                      |                                    | (32,368)   |
| Other adjustments                          |   |                      |                                    | <u>13,933</u>                                    |
| Total reconciling items                    |   |                      |                                    | <u>(18,435)</u>                                  |
| Total collections and credits              |   |                      |                                    | <u>\$ 14,899,128</u>                             |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

GENERAL FUND  
ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY  
JUNE 30, 2024

|                                       | City Wide               |        |                      | Total Levy                        |                           |
|---------------------------------------|-------------------------|--------|----------------------|-----------------------------------|---------------------------|
|                                       | Property Valuation      | Rate   | Total Levy           | Property Excluding Motor Vehicles | Registered Motor Vehicles |
| Original Levy:                        |                         |        |                      |                                   |                           |
| Property taxed at current year's rate | \$ 3,045,228,776        | 0.4900 | \$ 14,921,621        | \$ 13,926,385                     | \$ 995,236                |
| Penalties                             | -                       | 0.4900 | 28,184               | 28,184                            | -                         |
| Total                                 | <u>3,045,228,776</u>    |        | <u>14,949,805</u>    | <u>13,954,569</u>                 | <u>995,236</u>            |
| Discoveries:                          |                         |        |                      |                                   |                           |
| Current year taxes                    | 5,030,408               | 0.4900 | 24,649               | 24,649                            | -                         |
| Penalties                             | -                       | 0.4900 | 2,274                | 2,274                             | -                         |
| Total                                 | <u>5,030,408</u>        |        | <u>26,923</u>        | <u>26,923</u>                     | <u>-</u>                  |
| Abatements                            | <u>(13,149,796)</u>     | 0.4900 | <u>(64,434)</u>      | <u>(64,434)</u>                   | <u>-</u>                  |
| Total property valuation              | <u>\$ 3,037,109,388</u> |        |                      |                                   |                           |
| Net levy                              |                         |        | 14,912,294           | 13,917,058                        | 995,236                   |
| Uncollected taxes at June 30, 2024    |                         |        | <u>104,500</u>       | <u>104,500</u>                    | <u>-</u>                  |
| Current Year's Taxes Collected        |                         |        | <u>\$ 14,807,794</u> | <u>\$ 13,812,558</u>              | <u>\$ 995,236</u>         |
| Current Levy Collection %             |                         |        | <u>99.30%</u>        | <u>99.25%</u>                     | <u>100.00%</u>            |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

MAIN STREET TAX DISTRICT  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 JUNE 30, 2024

| Fiscal Year                                      | Uncollected<br>Balance<br>July 1, 2023 | Additions  | Collections<br>and Credits | Uncollected<br>Balance<br>June 30, 2024 |
|--|--|------------|----------------------------|---|
| 2023-2024  | \$ -                                   | \$ 306,377 | \$ 300,768                 | \$ 5,609                                |
| 2022-2023  | 2,479                                  | -          | 878                        | 1,601                                   |
| 2021-2022  | 785                                    | -          | 66                         | 719                                     |
| 2020-2021  | -                                      | -          | -                          | -                                       |
| 2019-2020  | 3,473                                  | -          | 205                        | 3,268                                   |
| 2018-2019  | 4,862                                  | -          | -                          | 4,862                                   |
| 2017-2018  | 3,530                                  | -          | -                          | 3,530                                   |
| 2016-2017  | 1,321                                  | -          | -                          | 1,321                                   |
| 2015-2016  | 620                                    | -          | -                          | 620                                     |
| 2014-2015  | 464                                    | -          | -                          | 464                                     |
| 2013-2014  | 995                                    | -          | -                          | 995                                     |
| 2012-2013  | 229                                    | -          | -                          | 229                                     |
| 2011-2012  | 151                                    | -          | -                          | 151                                     |
| 2010-2011  | 5                                      | -          | -                          | 5                                       |
| 2009-2010  | 1,042                                  | -          | -                          | 1,042                                   |
| 2008-2009  | 488                                    | -          | -                          | 488                                     |
| 2007-2008  | 951                                    | -          | -                          | 951                                     |
| 2006-2007  | 735                                    | -          | -                          | 735                                     |
| 2005-2006  | 246                                    | -          | -                          | 246                                     |
| <br>Total  | \$ 22,376                              | \$ 306,377 | \$ 301,917                 | 26,836                                  |
| Less: allowance for uncollectible accounts       |  |            |                            | (15,098)                                |
| Ad valorem taxes receivable, net                 |  |            |                            | \$ 11,738                               |
| Reconcilement with Revenues:                     |  |            |                            |   |
| Ad valorem taxes - Main Street Tax District Fund |  |            |                            | \$ 302,133                              |
| Reconciling items:                               |  |            |                            |   |
| Penalties and interest                           |  |            |                            | (216)                                   |
| Total collections and credits                    |  |            |                            | \$ 301,917                              |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

MAIN STREET TAX DISTRICT  
ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY  
JUNE 30, 2024

|                                       | City Wide             |        |                   | Total Levy                        |                           |
|---------------------------------------|-----------------------|--------|-------------------|-----------------------------------|---------------------------|
|                                       | Property Valuation    | Rate   | Total Levy        | Property Excluding Motor Vehicles | Registered Motor Vehicles |
| Original Levy:                        |                       |        |                   |                                   |                           |
| Property taxed at current year's rate | \$ 145,475,238        | 0.2100 | \$ 305,498        | \$ 302,101                        | \$ 3,397                  |
| Penalties                             | -                     |        | 5,159             | 5,159                             | -                         |
| Total                                 | <u>145,475,238</u>    |        | <u>310,657</u>    | <u>307,260</u>                    | <u>3,397</u>              |
| Discoveries:                          |                       |        |                   |                                   |                           |
| Current year taxes                    | 436,190               | 0.2100 | 916               | 916                               | -                         |
| Penalties                             | -                     |        | 216               | 216                               | -                         |
| Total                                 | <u>436,189</u>        |        | <u>1,132</u>      | <u>1,132</u>                      | <u>-</u>                  |
| Abatements                            | <u>(2,577,143)</u>    | 0.2100 | <u>(5,412)</u>    | <u>(5,412)</u>                    | <u>-</u>                  |
| Total property valuation              | <u>\$ 143,334,285</u> |        |                   |                                   |                           |
| Net levy                              |                       |        | 306,377           | 302,980                           | 3,397                     |
| Uncollected taxes at June 30, 2024    |                       |        | <u>5,609</u>      | <u>5,609</u>                      | <u>-</u>                  |
| Current Year's Taxes Collected        |                       |        | <u>\$ 300,768</u> | <u>\$ 297,371</u>                 | <u>\$ 3,397</u>           |
| Current Levy Collection %             |                       |        | <u>98.17%</u>     | <u>98.15%</u>                     | <u>100.00%</u>            |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

SEVENTH AVENUE TAX DISTRICT  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 JUNE 30, 2024

| <b>Fiscal Year</b>                                  | <b>Uncollected<br/>Balance<br/>July 1, 2023</b> | <b>Additions</b> | <b>Collections<br/>and Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2024</b> |
|---|---|------------------|------------------------------------|--|
| 2023-2024   | \$ -  | \$ 55,902        | \$ 54,908                          | \$ 994   |
| 2022-2023   | 582   | -                | 508                                | 74   |
| 2021-2022   | 182   | -                | 170                                | 12   |
| 2020-2021   | -   | -                | -                                  | -  |
| 2019-2020   | -   | -                | -                                  | -  |
| 2018-2019   | 62  | -                | -                                  | 62   |
| 2017-2018   | 44  | -                | -                                  | 44   |
| 2016-2017   | 151   | -                | -                                  | 151  |
| 2015-2016   | 28  | -                | -                                  | 28   |
| 2014-2015   | 57  | -                | -                                  | 57   |
| 2013-2014   | 5   | -                | -                                  | 5  |
| 2012-2013   | -   | -                | -                                  | -  |
| 2011-2012   | -   | -                | -                                  | -  |
| 2010-2011   | -   | -                | -                                  | -  |
| 2009-2010   | 9   | -                | -                                  | 9  |
| 2008-2009   | 146   | -                | -                                  | 146  |
| 2007-2008   | 109   | -                | -                                  | 109  |
| 2006-2007   | 44  | -                | -                                  | 44   |
| 2005-2006   | 10  | -                | -                                  | 10   |
| <b>Total</b>  | <b>\$ 1,429</b>                                 | <b>\$ 55,902</b> | <b>\$ 55,586</b>                   | <b>1,745</b>                                     |
| Less: allowance for uncollectible accounts          |   |                  |                                    | <u>(704)</u>                                     |
| Ad valorem taxes receivable, net                    |   |                  |                                    | <u>\$ 1,041</u>                                  |
| Reconciliation with Revenues:                       |   |                  |                                    |  |
| Ad valorem taxes - Seventh Avenue Tax District Fund |   |                  |                                    | <u>\$ 55,583</u>                                 |
| Reconciling items:                                  |   |                  |                                    |  |
| Penalties and interest                              |   |                  |                                    | <u>3</u>   |
| Total collections and credits                       |   |                  |                                    | <u>\$ 55,586</u>                                 |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

SEVENTH AVENUE TAX DISTRICT  
 ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY  
 JUNE 30, 2024

|                                       | City Wide            |        |                  | Total Levy                        |                           |
|---------------------------------------|----------------------|--------|------------------|-----------------------------------|---------------------------|
|                                       | Property Valuation   | Rate   | Total Levy       | Property Excluding Motor Vehicles | Registered Motor Vehicles |
| Original Levy:                        |                      |        |                  |                                   |                           |
| Property taxed at current year's rate | \$ 26,638,571        | 0.2100 | \$ 55,941        | \$ 50,285                         | \$ 5,656                  |
| Abatements                            | <u>(18,571)</u>      | 0.2100 | <u>(39)</u>      | <u>(39)</u>                       | <u>-</u>                  |
| Total property valuation              | <u>\$ 26,620,000</u> |        |                  |                                   |                           |
| Net levy                              |                      |        | 55,902           | 50,246                            | 5,656                     |
| Uncollected taxes at June 30, 2024    |                      |        | <u>994</u>       | <u>994</u>                        | <u>-</u>                  |
| Current Year's Taxes Collected        |                      |        | <u>\$ 54,908</u> | <u>\$ 49,252</u>                  | <u>\$ 5,656</u>           |
| Current Levy Collection %             |                      |        | <u>98.22%</u>    | <u>98.02%</u>                     | <u>100.00%</u>            |

# STATISTICAL SECTION

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This part of the City's annual comprehensive 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.

## **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.

## **Revenue Capacity**

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

## **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.

## **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.

## **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.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

|  | <u>2024</u>           | <u>2023</u>           | <u>2022</u>           | <u>2021</u>           | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental activities:</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets               | \$ 28,976,948         | \$ 24,328,314         | \$ 19,891,169         | \$ 21,035,571         | \$ 20,335,763         | \$ 21,020,174         | \$ 19,926,250         | \$ 19,614,200         | \$ 18,615,092         | \$ 16,304,268         |
| Restricted                                     | 7,676,645             | 7,783,564             | 6,802,743             | 7,139,251             | 3,739,753             | 3,285,875             | 4,538,469             | 3,045,196             | 3,651,785             | 2,309,638             |
| Unrestricted (deficit)                         | <u>(4,584,207)</u>    | <u>388,280</u>        | <u>(89,526)</u>       | <u>(2,700,317)</u>    | <u>982,519</u>        | <u>1,110,510</u>      | <u>1,397,633</u>      | <u>3,971,616</u>      | <u>4,681,884</u>      | <u>5,423,630</u>      |
| Total governmental activities net position     | <u>\$ 32,069,386</u>  | <u>\$ 32,500,158</u>  | <u>\$ 26,604,386</u>  | <u>\$ 25,474,505</u>  | <u>\$ 25,058,035</u>  | <u>\$ 25,416,559</u>  | <u>\$ 25,862,352</u>  | <u>\$ 26,631,012</u>  | <u>\$ 26,948,761</u>  | <u>\$ 24,037,536</u>  |
| <b>Business-type activities</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets               | \$ 85,732,280         | \$ 71,668,399         | \$ 71,004,372         | \$ 67,043,265         | \$ 68,316,330         | \$ 63,008,624         | \$ 56,252,393         | \$ 51,388,724         | \$ 50,835,364         | \$ 52,399,169         |
| Unrestricted                                   | <u>10,813,654</u>     | <u>11,316,890</u>     | <u>10,917,754</u>     | <u>12,545,384</u>     | <u>10,189,499</u>     | <u>13,368,475</u>     | <u>18,731,513</u>     | <u>22,731,743</u>     | <u>25,771,050</u>     | <u>26,030,616</u>     |
| Total business-type activities net assets      | <u>\$ 96,545,934</u>  | <u>\$ 82,985,289</u>  | <u>\$ 81,922,126</u>  | <u>\$ 79,588,649</u>  | <u>\$ 78,505,829</u>  | <u>\$ 76,377,099</u>  | <u>\$ 74,983,906</u>  | <u>\$ 74,120,467</u>  | <u>\$ 76,606,414</u>  | <u>\$ 78,429,785</u>  |
| <b>Primary government</b>                      |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets               | \$ 114,709,228        | \$ 95,996,713         | \$ 90,895,541         | \$ 88,078,836         | \$ 88,652,093         | \$ 84,028,798         | \$ 76,178,643         | \$ 71,002,924         | \$ 69,450,456         | \$ 68,703,437         |
| Restricted                                     | 7,676,645             | 7,783,564             | 6,802,743             | 7,139,251             | 3,739,753             | 3,285,875             | 4,538,469             | 3,045,196             | 3,651,785             | 2,309,638             |
| Unrestricted                                   | <u>6,229,447</u>      | <u>11,705,170</u>     | <u>10,828,228</u>     | <u>9,845,067</u>      | <u>11,172,018</u>     | <u>14,478,985</u>     | <u>20,129,146</u>     | <u>26,703,359</u>     | <u>30,452,934</u>     | <u>31,454,246</u>     |
| Total primary government activities net assets | <u>\$ 128,615,320</u> | <u>\$ 115,485,447</u> | <u>\$ 108,526,512</u> | <u>\$ 105,063,154</u> | <u>\$ 103,563,864</u> | <u>\$ 101,793,658</u> | <u>\$ 100,846,258</u> | <u>\$ 100,751,479</u> | <u>\$ 103,555,175</u> | <u>\$ 102,467,321</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

|   | <u>2024</u>          | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses:                                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                              | \$ 6,480,307         | \$ 6,371,382         | \$ 4,530,733         | \$ 3,815,963         | \$ 3,798,995         | \$ 3,885,983         | \$ 3,054,736         | \$ 3,157,971         | \$ 2,583,313         | \$ 2,813,625         |
| Public safety                                   | 15,556,293           | 14,208,697           | 12,476,303           | 11,300,514           | 10,317,127           | 9,043,813            | 8,503,808            | 7,773,702            | 7,209,269            | 6,702,566            |
| Public works                                    | 3,468,027            | 3,395,730            | 2,601,447            | 3,043,108            | 2,982,638            | 2,654,914            | 2,739,444            | 2,591,659            | 2,674,680            | 3,279,572            |
| Economic and physical development               | 1,031,391            | 816,721              | 622,665              | 467,382              | 560,800              | 521,007              | 721,195              | 564,691              | 520,035              | 428,450              |
| Cultural and recreation                         | 1,106,846            | 932,353              | 809,652              | 848,292              | 913,075              | 864,375              | 960,189              | 1,010,569            | 968,892              | 537,955              |
| Interest on long-term debt                      | 1,109,165            | 883,110              | 459,091              | 453,291              | 325,760              | 253,558              | 274,831              | 263,137              | 295,850              | 318,140              |
| Total governmental activities expenses          | <u>28,752,029</u>    | <u>26,607,993</u>    | <u>21,499,891</u>    | <u>19,928,550</u>    | <u>18,898,395</u>    | <u>17,223,650</u>    | <u>16,254,203</u>    | <u>15,361,729</u>    | <u>14,252,039</u>    | <u>14,080,308</u>    |
| Business-type activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and sewer                                 | 25,357,856           | 23,608,570           | 20,876,600           | 18,449,631           | 16,993,598           | 16,069,699           | 15,009,569           | 18,366,688           | 17,428,160           | 16,047,518           |
| Parking services                                | 1,083,015            | 612,881              | 454,355              | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Environmental services                          | 1,785,510            | 1,667,333            | 1,710,016            | 1,479,708            | 1,519,238            | 1,428,563            | 1,382,440            | 1,456,781            | 1,242,213            | 1,178,355            |
| Stormwater                                      | 1,076,665            | 948,011              | 1,352,826            | 437,571              | 311,497              | 275,402              | 177,649              | -                    | -                    | -                    |
| Total business-type activities                  | <u>29,303,046</u>    | <u>26,836,795</u>    | <u>24,393,797</u>    | <u>20,366,910</u>    | <u>18,824,333</u>    | <u>17,773,664</u>    | <u>16,569,658</u>    | <u>19,823,469</u>    | <u>18,670,373</u>    | <u>17,225,873</u>    |
| Total primary government expenses               | <u>\$ 58,055,075</u> | <u>\$ 53,444,788</u> | <u>\$ 45,893,688</u> | <u>\$ 40,295,460</u> | <u>\$ 37,722,728</u> | <u>\$ 34,997,314</u> | <u>\$ 32,823,861</u> | <u>\$ 35,185,198</u> | <u>\$ 32,922,412</u> | <u>\$ 31,306,181</u> |
| Program revenues:                               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                              | \$ -                 | \$ 57,141            | \$ 93,421            | \$ 65,547            | \$ 37,730            | \$ 40,272            | \$ 25,639            | \$ 38,379            | \$ 85,995            | \$ 39,153            |
| Public safety                                   | 1,177,077            | 271,432              | -                    | 177,686              | 251,510              | 390,797              | 468,933              | 295,562              | 217,039              | 76,401               |
| Public works                                    | -                    | -                    | -                    | -                    | 200,070              | 153,295              | -                    | -                    | -                    | -                    |
| Cultural and recreation                         | 69,544               | 298,362              | 329,893              | 301,004              | 273,800              | 292,418              | 363,692              | 429,214              | 412,311              | 323,572              |
| Operating grants and contributions              | 1,840,703            | 6,821,829            | 3,416,622            | 1,860,657            | 1,272,272            | 1,338,803            | 703,076              | 807,606              | 722,754              | 680,540              |
| Capital grants and contributions                | 5,202,895            | 242,832              | -                    | 699,285              | -                    | 271,254              | 561,531              | 565,917              | 1,073,002            | 53,783               |
| Total governmental activities program revenues  | <u>8,290,219</u>     | <u>7,691,596</u>     | <u>3,839,936</u>     | <u>3,104,179</u>     | <u>2,035,382</u>     | <u>2,486,839</u>     | <u>2,122,871</u>     | <u>2,136,678</u>     | <u>2,511,101</u>     | <u>1,173,449</u>     |
| Business-type activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for Services                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and sewer                                 | 24,909,589           | 22,512,835           | 20,681,826           | 17,742,080           | 16,196,439           | 16,067,138           | 15,248,817           | 15,079,674           | 15,485,428           | 14,727,783           |
| Parking services                                | 1,103,099            | 564,735              | 236,266              | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Environmental services                          | 1,762,897            | 1,524,404            | 1,508,967            | 1,325,233            | 1,237,818            | 1,221,473            | 1,192,775            | 1,417,155            | 1,204,694            | 1,130,922            |
| Stormwater                                      | 1,234,806            | 1,025,762            | 998,963              | 652,269              | 378,635              | 341,334              | 241,568              | -                    | -                    | -                    |
| Grants and contributions                        | 7,952,568            | 5,634,286            | 2,947,764            | 2,055,043            | 2,935,574            | 1,421,287            | 1,820,530            | 679,696              | 46,537               | 1,177,512            |
| Total business-type activities program revenues | <u>36,962,959</u>    | <u>31,262,022</u>    | <u>26,373,786</u>    | <u>21,774,625</u>    | <u>20,748,466</u>    | <u>19,051,232</u>    | <u>18,503,690</u>    | <u>17,176,525</u>    | <u>16,736,659</u>    | <u>17,036,217</u>    |
| Total primary government program revenues       | <u>\$ 45,253,178</u> | <u>\$ 38,953,618</u> | <u>\$ 30,213,722</u> | <u>\$ 24,878,804</u> | <u>\$ 22,783,848</u> | <u>\$ 21,538,071</u> | <u>\$ 20,626,561</u> | <u>\$ 19,313,203</u> | <u>\$ 19,247,760</u> | <u>\$ 18,209,666</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

|  | <u>2024</u>            | <u>2023</u>            | <u>2022</u>            | <u>2021</u>            | <u>2020</u>            | <u>2019</u>            | <u>2018</u>            | <u>2017</u>            | <u>2016</u>            | <u>2015</u>            |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net (expense) revenue:                                       |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                      | \$ (20,461,810)        | \$ (18,916,397)        | \$ (17,659,955)        | \$ (16,824,371)        | \$ (16,863,013)        | \$ (14,736,811)        | \$ (14,131,332)        | \$ (13,225,051)        | \$ (11,740,938)        | \$ (12,906,859)        |
| Business-type activities                                     | 7,659,913              | 4,425,227              | 1,979,989              | 1,407,715              | 1,924,133              | 1,277,568              | 1,934,032              | (2,646,944)            | (1,933,714)            | (189,656)              |
| Total government net expense                                 | <u>\$ (12,801,897)</u> | <u>\$ (14,491,170)</u> | <u>\$ (15,679,966)</u> | <u>\$ (15,416,656)</u> | <u>\$ (14,938,880)</u> | <u>\$ (13,459,243)</u> | <u>\$ (12,197,300)</u> | <u>\$ (15,871,995)</u> | <u>\$ (13,674,652)</u> | <u>\$ (13,096,515)</u> |
| General revenues and other changes in net position:          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Taxes:   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes, levied for general purpose                   | \$ 15,262,782          | \$ 12,571,874          | \$ 12,084,859          | \$ 11,319,866          | \$ 10,887,215          | \$ 9,108,913           | \$ 8,563,585           | \$ 8,302,439           | \$ 8,084,440           | \$ 7,745,067           |
| Local option sales tax                                       | 6,247,325              | 5,882,131              | 5,236,194              | 4,597,838              | 3,807,868              | 3,427,281              | 3,203,984              | 3,198,658              | 3,180,632              | 2,783,936              |
| Other taxes  | 1,596,293              | 1,870,273              | 1,750,983              | 1,741,706              | 1,502,314              | 1,292,933              | 1,281,992              | 1,280,389              | 1,308,329              | 1,681,049              |
| Grants and contributions not restricted to specific programs | 15,000                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Permits and fees   | -                      | -                      | -                      | -                      | -                      | 264,151                | 239,548                | 245,055                | 261,890                | 177,883                |
| Investment earnings, unrestricted                            | 857,568                | 565,359                | (41,011)               | 16,594                 | 121,167                | 220,110                | 60,808                 | 45,477                 | 117,250                | 53,142                 |
| Gain/(loss) on disposal of asset                             | 365,893                | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Miscellaneous, unrestricted                                  | 881,949                | 156,785                | 108,811                | 168,047                | 155,925                | 211,310                | 337,144                | 293,332                | 335,338                | 234,357                |
| Transfers  | (5,195,772)            | 3,765,747              | (350,000)              | -                      | 30,000                 | 336,250                | 534,955                | 26,474                 | 138,947                | -                      |
| Special items  | -                      | -                      | -                      | -                      | -                      | (569,930)              | -                      | -                      | -                      | -                      |
| Total governmental activities                                | <u>20,031,038</u>      | <u>24,812,169</u>      | <u>18,789,836</u>      | <u>17,844,051</u>      | <u>16,504,489</u>      | <u>14,291,018</u>      | <u>14,222,016</u>      | <u>13,391,824</u>      | <u>13,426,826</u>      | <u>12,675,434</u>      |
| Business-type activities:                                    |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Investment earnings  | 591,744                | 403,683                | (22,853)               | 5,038                  | 164,081                | 331,817                | 106,643                | 85,509                 | 277,173                | 157,767                |
| Miscellaneous, unrestricted                                  | 21,538                 | -                      | -                      | -                      | 61,352                 | 114,735                | 196,496                | 101,689                | 64,501                 | 91,806                 |
| Gain on sale of capital assets                               | 91,678                 | -                      | 26,341                 | 41,515                 | 9,164                  | 5,323                  | -                      | -                      | -                      | -                      |
| Transfers  | 5,195,772              | (3,765,747)            | 350,000                | -                      | (30,000)               | (336,250)              | (534,955)              | (26,474)               | (138,947)              | -                      |
| Total business-type activities                               | <u>5,900,732</u>       | <u>(3,362,064)</u>     | <u>353,488</u>         | <u>46,553</u>          | <u>204,597</u>         | <u>115,625</u>         | <u>(231,816)</u>       | <u>160,724</u>         | <u>202,727</u>         | <u>249,573</u>         |
| Total government   | <u>\$ 25,931,770</u>   | <u>\$ 21,450,105</u>   | <u>\$ 19,143,324</u>   | <u>\$ 17,890,604</u>   | <u>\$ 16,709,086</u>   | <u>\$ 14,406,643</u>   | <u>\$ 13,990,200</u>   | <u>\$ 13,552,548</u>   | <u>\$ 13,629,553</u>   | <u>\$ 12,925,007</u>   |
| Change in net position:                                      |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                      | \$ (430,772)           | \$ 5,895,772           | \$ 1,129,881           | \$ 1,019,680           | \$ (358,524)           | \$ (445,793)           | \$ 90,684              | \$ 166,773             | \$ 1,685,888           | \$ (231,425)           |
| Business-type activities                                     | 13,560,645             | 1,063,163              | 2,333,477              | 1,454,268              | 2,128,730              | 1,393,193              | 1,702,216              | (2,486,220)            | (1,730,987)            | 59,917                 |
| Total government   | <u>\$ 13,129,873</u>   | <u>\$ 6,958,935</u>    | <u>\$ 3,463,358</u>    | <u>\$ 2,473,948</u>    | <u>\$ 1,770,206</u>    | <u>\$ 947,400</u>      | <u>\$ 1,792,900</u>    | <u>\$ (2,319,447)</u>  | <u>\$ (45,099)</u>     | <u>\$ (171,508)</u>    |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

|                                       | <u>2024</u>          | <u>2023</u>          | <u>2022</u>          | <u>2021</u>         | <u>2020</u>          | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund:                         |                      |                      |                      |                     |                      |                     |                     |                     |                     |                     |
| Non-spendable                         | \$ 463,251           | \$ 37,503            | \$ 38,543            | \$ 83,644           | \$ 104,022           | \$ 72,783           | \$ 461,013          | \$ 474,265          | \$ 63,057           | \$ 8,805            |
| Restricted                            | 4,626,351            | 4,326,595            | 4,010,056            | 6,091,937           | 2,499,480            | 2,117,460           | 2,513,576           | 1,830,006           | 1,790,318           | 1,193,072           |
| Assigned                              | 2,304,552            | 2,614,518            | 1,666,590            | 1,261,744           | 1,257,155            | 713,196             | 612,000             | 1,017,696           | 436,981             | 701,672             |
| Unassigned                            | 3,678,011            | 4,615,551            | 4,048,193            | 2,199,122           | 4,691,912            | 4,469,087           | 3,956,453           | 4,326,041           | 5,091,043           | 6,200,178           |
| Total General Fund                    | <u>11,072,165</u>    | <u>11,594,167</u>    | <u>9,763,382</u>     | <u>9,636,447</u>    | <u>8,552,569</u>     | <u>7,372,526</u>    | <u>7,543,042</u>    | <u>7,648,008</u>    | <u>7,381,399</u>    | <u>8,103,727</u>    |
| All other governmental funds:         |                      |                      |                      |                     |                      |                     |                     |                     |                     |                     |
| Non-spendable                         | 150                  | 150                  | 150                  | 368                 | 629,506              | -                   | 1,000               | 12,680              | 491                 | -                   |
| Restricted                            | 6,891,078            | 25,064,170           | 3,455,046            | 1,047,314           | 10,333,093           | 1,154,539           | 2,024,893           | 1,215,190           | 1,766,811           | 1,109,035           |
| Committed                             | 136,975              | -                    | -                    | -                   | 3,230                | 3,230               | 3,230               | 3,230               | -                   | -                   |
| Assigned                              | -                    | -                    | -                    | -                   | 132,125              | 135,109             | 89,307              | 585,364             | 1,056,567           | 7,531               |
| Unassigned                            | -                    | -                    | -                    | (943,457)           | (531,695)            | (362,698)           | (827,181)           | (205,128)           | (373,383)           | -                   |
| Total all other<br>governmental funds | <u>7,028,203</u>     | <u>25,064,320</u>    | <u>3,455,196</u>     | <u>104,225</u>      | <u>10,566,259</u>    | <u>930,180</u>      | <u>1,291,249</u>    | <u>1,611,336</u>    | <u>2,450,486</u>    | <u>1,116,566</u>    |
| Total fund balances                   | <u>\$ 18,100,368</u> | <u>\$ 36,658,487</u> | <u>\$ 13,218,578</u> | <u>\$ 9,740,672</u> | <u>\$ 19,118,828</u> | <u>\$ 8,302,706</u> | <u>\$ 8,834,291</u> | <u>\$ 9,259,344</u> | <u>\$ 9,831,885</u> | <u>\$ 9,220,293</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years, Continued  
(modified accrual basis of accounting)

|                                    | <u>2024</u>         | <u>2023</u>        | <u>2022</u>         | <u>2021</u>         | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>       | <u>2015</u>       |
|------------------------------------|---------------------|--------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| <b>Revenues:</b>                   |                     |                    |                     |                     |                    |                    |                    |                    |                   |                   |
| Ad valorem taxes                   | \$ 15,275,279       | \$ 12,361,223      | \$ 11,872,169       | \$ 11,088,668       | \$ 10,883,687      | \$ 9,132,571       | \$ 8,573,856       | \$ 8,232,001       | \$ 8,096,500      | \$ 7,666,438      |
| Other taxes and licenses           | 12,240              | 12,084             | 10,420              | 9,888               | 10,895             | 11,604             | 11,544             | 12,200             | 13,528            | 402,398           |
| Unrestricted intergovernmental     | 8,237,526           | 7,746,534          | 6,982,998           | 6,333,234           | 5,539,666          | 5,090,200          | 4,824,053          | 4,820,155          | 4,784,984         | 4,258,292         |
| Restricted intergovernmental       | 6,413,691           | 7,034,729          | 3,238,715           | 1,858,851           | 889,022            | 1,534,819          | 949,686            | 1,303,087          | 1,757,512         | 609,063           |
| Permits and fees                   | 620,567             | 458,957            | 496,762             | 470,766             | 399,737            | 412,876            | 257,704            | 143,613            | 103,712           | 49,602            |
| Sales and services                 | 472,028             | 376,415            | 129,331             | 264,116             | 341,043            | 365,557            | 430,673            | 518,672            | 566,479           | 480,028           |
| Investment earnings                | 856,820             | 565,359            | (41,011)            | 16,594              | 121,167            | 220,109            | 60,808             | 45,476             | 117,250           | 53,094            |
| Miscellaneous                      | 492,444             | 183,350            | 375,545             | 165,119             | 133,676            | 223,679            | 548,588            | 301,644            | 272,567           | 188,331           |
| Total revenues                     | <u>32,380,595</u>   | <u>28,738,651</u>  | <u>23,064,929</u>   | <u>20,207,236</u>   | <u>18,318,893</u>  | <u>16,991,415</u>  | <u>15,656,912</u>  | <u>15,376,848</u>  | <u>15,712,532</u> | <u>13,707,246</u> |
| <b>Expenditures:</b>               |                     |                    |                     |                     |                    |                    |                    |                    |                   |                   |
| Current:                           |                     |                    |                     |                     |                    |                    |                    |                    |                   |                   |
| General government                 | 4,621,055           | 5,771,698          | 4,244,229           | 3,677,000           | 3,314,528          | 3,587,116          | 2,793,058          | 2,843,232          | 2,441,963         | 3,184,950         |
| Public safety                      | 13,019,112          | 13,031,731         | 11,826,612          | 10,056,460          | 8,981,546          | 8,229,430          | 7,907,468          | 7,142,045          | 6,780,868         | 6,819,585         |
| Public works                       | 4,620,479           | 2,946,620          | 2,014,481           | 2,396,047           | 2,129,000          | 2,067,196          | 2,095,045          | 1,977,627          | 2,034,160         | 2,318,610         |
| Economic and physical developmer   | 1,194,066           | 778,605            | 610,171             | 443,416             | 533,430            | 502,947            | 699,373            | 542,179            | 510,737           | 431,801           |
| Culture and recreation             | -                   | 892,052            | 766,462             | 879,309             | 642,670            | 644,646            | 737,169            | 818,336            | 803,433           | 715,098           |
| Capital outlay                     | 20,244,635          | 5,816,303          | 3,172,412           | 11,797,516          | 2,909,871          | 4,806,713          | 1,368,877          | 2,257,810          | 1,993,434         | -                 |
| Debt service:                      |                     |                    |                     |                     |                    |                    |                    |                    |                   |                   |
| Principal                          | 3,033,292           | 1,711,271          | 14,616,073          | 887,105             | 793,074            | 631,138            | 836,995            | 832,133            | 830,273           | 723,333           |
| Interest and other charges         | 1,184,558           | 823,525            | 384,105             | 484,965             | 277,965            | 237,879            | 231,874            | 270,328            | 300,938           | 324,613           |
| Bond issuance costs                | -                   | 80,315             | 41,517              | -                   | 36,933             | -                  | 29,550             | -                  | -                 | -                 |
| Total expenditures                 | <u>47,917,197</u>   | <u>31,852,120</u>  | <u>37,676,062</u>   | <u>30,621,818</u>   | <u>19,619,017</u>  | <u>20,707,065</u>  | <u>16,699,409</u>  | <u>16,683,690</u>  | <u>15,695,806</u> | <u>14,517,990</u> |
| Revenues over (under) expenditures | <u>(15,536,602)</u> | <u>(3,113,469)</u> | <u>(14,611,133)</u> | <u>(10,414,582)</u> | <u>(1,300,124)</u> | <u>(3,715,650)</u> | <u>(1,042,497)</u> | <u>(1,306,842)</u> | <u>16,726</u>     | <u>(810,744)</u>  |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years, Continued  
(modified accrual basis of accounting)

|   | <u>2024</u>            | <u>2023</u>          | <u>2022</u>         | <u>2021</u>           | <u>2020</u>          | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---|------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Other financing sources (uses):</b>                          |                        |                      |                     |                       |                      |                     |                     |                     |                     |                     |
| Proceeds of Debt - Bonds  | \$ -                   | \$ -                 | \$ 15,568,631       | \$ -                  | \$ 11,500,000        | \$ -                | \$ 1,352,000        | \$ -                | \$ -                | \$ -                |
| Proceeds of Debt - Notes Payable                                | 1,306,996              | 21,992,127           | 609,956             | 768,161               | -                    | 2,965,100           | -                   | 655,000             | 78,533              | 242,500             |
| Inception of Leases/Subscriptions                               | 4,943                  | 469,088              | -                   | 206,335               | 521,478              | -                   | -                   | -                   | -                   | -                   |
| Payments of Refunded Debt to escrow agent                       | -                      | -                    | -                   | -                     | -                    | -                   | (1,321,397)         | -                   | -                   | -                   |
| Sale of capital assets  | 862,316                | 81,216               | 45,080              | 61,930                | 1,515                | 23,207              | 1,700               | 8,972               | 2,125               | 18,090              |
| Insurance recovery  | -                      | -                    | -                   | -                     | 63,617               | 43,780              | 50,186              | 43,855              | 96,383              | 57,073              |
| Transfers from other funds                                      | 506,438                | 4,393,000            | 2,110,572           | -                     | 30,000               | 378,250             | 625,539             | 26,474              | 138,947             | -                   |
| Transfers to other funds  | (5,702,210)            | (627,253)            | -                   | -                     | -                    | (42,000)            | (90,584)            | -                   | -                   | -                   |
| <b>Total other financing sources and uses</b>                   | <u>(3,021,517)</u>     | <u>26,308,178</u>    | <u>18,334,239</u>   | <u>1,036,426</u>      | <u>12,116,610</u>    | <u>3,368,337</u>    | <u>617,444</u>      | <u>734,301</u>      | <u>315,988</u>      | <u>317,663</u>      |
| Special items   | -                      | -                    | -                   | -                     | -                    | (184,272)           | -                   | -                   | -                   | -                   |
| <b>Net change in fund balance</b>                               | <u>\$ (18,558,119)</u> | <u>\$ 23,194,709</u> | <u>\$ 3,723,106</u> | <u>\$ (9,378,156)</u> | <u>\$ 10,816,486</u> | <u>\$ (531,585)</u> | <u>\$ (425,053)</u> | <u>\$ (572,541)</u> | <u>\$ 332,714</u>   | <u>\$ (493,081)</u> |
| <b>Capital Asset Expenditures</b>                               | <u>\$ 20,698,353</u>   | <u>\$ 7,495,258</u>  | <u>\$ 3,982,136</u> | <u>\$ 12,528,275</u>  | <u>\$ 1,833,501</u>  | <u>\$ 4,804,733</u> | <u>\$ 1,363,198</u> | <u>\$ 2,298,582</u> | <u>\$ 2,031,608</u> | <u>\$ 1,333,272</u> |
| <b>Debt service as a percentage of non-capital expenditures</b> | 15.50%                 | 10.40%               | 44.50%              | 7.60%                 | 6.40%                | 5.5%                | 7.0%                | 7.7%                | 8.3%                | 7.9%                |

Capital outlay expenditures have been segregated here in order to calculate the percentage of non-capital expenditures.

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 |             | Fiscal Year Ended June 30 | 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       |                           |                                |                              |                       |                            |  |
| 2015                      | 860,792,797            | 622,571,755          | 121,051,969                | 130,347,339 | 2015                      | 10,594,200                     | 1,724,169,660                | 0.84                  | 1,733,530,726              | 100.0%   |
| 2016                      | 869,531,034            | 628,891,720          | 127,865,067                | 126,562,294 | 2016                      | 13,449,401                     | 1,739,400,714                | 0.86                  | 1,844,539,463              | 99.5%  |
| 2017                      | 869,827,543            | 629,106,171          | 136,782,391                | 117,221,370 | 2017                      | 13,914,601                     | 1,739,022,874                | 0.86                  | 2,003,482,574              | 94.3%  |
| 2018                      | 881,579,895            | 637,606,103          | 134,141,102                | 115,895,380 | 2018                      | 13,876,051                     | 1,755,346,429                | 0.87                  | 2,017,639,574              | 86.8%  |
| 2019                      | 758,917,288            | 777,919,406          | 141,273,265                | 137,921,560 | 2019                      | 13,565,701                     | 1,802,465,818                | 0.89                  | 2,025,242,492              | 87.0%  |
| 2020                      | 940,032,962            | 920,894,622          | 141,532,245                | 154,779,155 | 2020                      | 13,474,000                     | 2,143,764,984                | 0.92                  | 2,330,179,330              | 89.0%  |
| 2021                      | 999,259,059            | 922,392,978          | 160,750,408                | 129,063,770 | 2021                      | 16,504,479                     | 2,194,961,736                | 0.92                  | 2,385,827,974              | 92.0%  |
| 2022                      | 1,013,616,881          | 935,646,352          | 173,936,654                | 118,793,002 | 2022                      | 17,617,295                     | 2,224,375,594                | 0.93                  | 2,391,801,714              | 93.0%  |
| 2023                      | 1,187,084,478          | 824,923,112          | 186,719,537                | 135,245,691 | 2023                      | 18,102,180                     | 2,315,870,638                | 0.93                  | 3,146,563,367              | 73.6%  |
| 2024                      | 1,498,584,845          | 1,226,114,873        | 202,981,611                | 149,505,972 | 2024                      | 40,077,913                     | 3,037,109,388                | 0.91                  | 4,126,507,321              | 73.6%  |

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2020. Tax rates are per \$100 of assessed value.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

| <b>Fiscal Year Ended June 30</b> | <b>(1) Original Tax Levy for Fiscal Year</b> | <b>Adjustments to Original Tax Levy for Fiscal Year</b> | <b>Adjusted Tax Levy for Fiscal Year</b> | <b>Collected within the Fiscal Year of the Levy</b> |                           | <b>Fiscal Year Ended June 30</b> | <b>Collections in Subsequent Years</b> | <b>Total Collections to Date</b> |                           |
|----------------------------------|--|---|--|---|---------------------------|----------------------------------|--|----------------------------------|---------------------------|
|                                  |  |   |  | <b>Amount</b>                                       | <b>Percentage of Levy</b> |                                  |  | <b>Amount</b>                    | <b>Percentage of Levy</b> |
| 2015                             | 6,931,559                                    | 4,513   | 6,936,072                                | 6,788,334   | 97.87%                    | 2015                             | 107,633                                | \$ 6,895,967                     | 99.42%                    |
| 2016                             | 7,890,120                                    | 106,715   | 7,996,835                                | 7,837,894   | 98.01%                    | 2016                             | 105,108                                | \$ 7,943,002                     | 99.33%                    |
| 2017                             | 7,997,213                                    | 11,895  | 8,009,108                                | 7,862,484   | 98.17%                    | 2017                             | 126,963                                | \$ 7,989,447                     | 99.75%                    |
| 2018                             | 8,294,356                                    | (35,435)  | 8,258,921                                | 8,116,296   | 98.27%                    | 2018                             | 108,531                                | \$ 8,224,827                     | 99.59%                    |
| 2019                             | 8,801,346                                    | 23,980  | 8,825,326                                | 8,697,385   | 98.55%                    | 2019                             | 80,189                                 | \$ 8,777,574                     | 99.46%                    |
| 2020                             | 10,562,551                                   | (34,718)  | 10,527,833                               | 10,384,754  | 98.64%                    | 2020                             | 101,988                                | \$ 10,486,742                    | 99.61%                    |
| 2021                             | 10,790,575                                   | (28,643)  | 10,761,932                               | 10,642,972  | 98.89%                    | 2021                             | 115,165                                | \$ 10,758,137                    | 98.89%                    |
| 2022                             | 11,665,844                                   | (99,091)  | 11,566,753                               | 11,465,200  | 99.12%                    | 2022                             | 97,953                                 | \$ 11,563,153                    | 99.12%                    |
| 2023                             | 12,004,644                                   | 37,883  | 12,042,527                               | 11,887,462  | 98.71%                    | 2023                             | 75,619                                 | \$ 11,963,081                    | 99.86%                    |
| 2024                             | 14,949,805                                   | (37,511)  | 14,912,294                               | 14,807,794  | 99.30%                    | 2024                             | -                                      | \$ 14,807,794                    | 99.30%                    |

Source: Source: City Tax Collector  
 (1) Includes Motor Vehicle Valuation.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

| <u>Taxpayer</u>                     | <u>2024 Fiscal Year</u>       |             |   | <u>2015 Fiscal Year</u>       |             |   |
|-------------------------------------|-------------------------------|-------------|---|-------------------------------|-------------|---|
|                                     | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> |
| Ingles                              | 49,875,228                    | 1           | 1.64%   | \$ 33,069,931                 | 1           | 1.91%   |
| Lake Point Landing                  | 44,431,491                    | 2           | 1.46%   | N/A                           | N/A         | N/A   |
| Triangle Ballantyne Hendersronville | 31,927,308                    | 3           | 1.05%   | N/A                           | N/A         | N/A   |
| Jabil                               | 30,790,884                    | 4           | 1.01%   | N/A                           | N/A         | N/A   |
| Boyd Hyder                          | 27,059,029                    | 5           | 0.89%   | 16,286,300                    | 3           | 0.94%   |
| Brittany Place                      | 25,950,101                    | 6           | 0.85%   | N/A                           | N/A         | N/A   |
| DukeEnergyHC                        | 24,456,393                    | 7           | 0.80%   | N/A                           | N/A         | N/A   |
| Walmart                             | 24,444,207                    | 8           | 0.80%   | 18,069,700                    | 2           | 1.04%   |
| First Citizens Bank                 | 16,242,072                    | 9           | 0.53%   | 12,719,997                    | 4           | 0.73%   |
| Brookdale Senior Living             | 13,760,652                    | 10          | 0.45%   | N/A                           | N/A         | N/A   |
| <b>Totals</b>                       | <b>\$ 288,937,365</b>         |             | <b>9.48%</b>                                      | <b>\$ 80,145,928</b>          |             | <b>4.62%</b>                                      |

N/A - information not available

Source: Henderson County Assessor

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

|  | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         |
| <b>City Direct Rates:</b>              |              |              |              |              |              |              |              |              |              |              |
| General Fund Rate                      | 0.440        | 0.460        | 0.460        | 0.470        | 0.490        | 0.490        | 0.490        | 0.520        | 0.520        | 0.490        |
| Downtown Tax District                  | 0.280        | 0.280        | 0.280        | 0.280        | 0.280        | 0.260        | 0.260        | 0.240        | 0.240        | 0.210        |
| Seventh Avenue District                | 0.120        | 0.120        | 0.120        | 0.120        | 0.120        | 0.170        | 0.170        | 0.170        | 0.170        | 0.210        |
| <b>Total Direct Rate</b>               | <b>0.840</b> | <b>0.860</b> | <b>0.860</b> | <b>0.870</b> | <b>0.890</b> | <b>0.920</b> | <b>0.920</b> | <b>0.930</b> | <b>0.930</b> | <b>0.910</b> |
| <b>County Rates:</b>                   |              |              |              |              |              |              |              |              |              |              |
| Henderson County                       | 0.5136       | 0.5136       | 0.5650       | 0.5650       | 0.5650       | 0.5610       | 0.5610       | 0.5610       | 0.5610       | 0.4310       |
| Town of Fletcher                       | 0.3250       | 0.3400       | 0.3400       | 0.3400       | 0.3400       | 0.3400       | 0.3400       | 0.3400       | 0.3400       | 0.2800       |
| Town of Laurel Park                    | 0.3900       | 0.4300       | 0.4300       | 0.4300       | 0.4300       | 0.4350       | 0.4350       | 0.4350       | 0.4350       | 0.3950       |
| Town of Saluda                         | 0.6050       | 0.6050       | 0.6050       | 0.6050       | 0.6450       | 0.6650       | 0.6650       | 0.6750       | 0.6800       | 0.6900       |
| Town of Mills River                    | 0.0974       | 0.1124       | 0.1800       | 0.1800       | 0.1800       | 0.1900       | 0.1900       | 0.1900       | 0.1900       | 0.1700       |
| Village of Flat Rock                   | 0.0840       | 0.1100       | 0.1100       | 0.1100       | 0.1100       | 0.1300       | 0.1300       | 0.1300       | 0.1300       | 0.1190       |
| <b>Fire (14) District Rates:</b>       |              |              |              |              |              |              |              |              |              |              |
| From Lowest                            | 0.0700       | 0.0800       | 0.0800       | 0.0800       | 0.0800       | 0.0900       | 0.0900       | 0.0900       | 0.1000       | 0.0900       |
| To Highest                             | 0.1250       | 0.1300       | 0.1300       | 0.1300       | 0.1300       | 0.1350       | 0.1400       | 0.1400       | 0.1400       | 0.1400       |
| <b>Special Purpose District Rates:</b> |              |              |              |              |              |              |              |              |              |              |
| Downtown Tax District                  | 0.2800       | 0.2800       | 0.2800       | 0.2800       | 0.2800       | 0.2600       | 0.2600       | 0.2400       | 0.2400       | 0.2100       |
| Seventh Avenue Tax District            | 0.1200       | 0.1200       | 0.1200       | 0.1200       | 0.1200       | 0.1700       | 0.1700       | 0.1700       | 0.1700       | 0.2100       |

Source: Henderson County Tax Assessors Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal<br>Year<br>Ended<br>June 30 | Governmental Activities        |                |                       |                  |                                      | Business-Type Activities |                |                       |                  |                                      | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|------------------------------------|--------------------------------|----------------|-----------------------|------------------|--------------------------------------|--------------------------|----------------|-----------------------|------------------|--------------------------------------|--------------------------------|-------------------------------------|---------------|
|                                    | General<br>Obligation<br>Bonds | Other<br>Bonds | Financed<br>Purchases | Notes<br>Payable | Leases and<br>Subscription<br>Assets | Revenue<br>Bonds         | Other<br>Bonds | Financed<br>Purchases | Notes<br>Payable | Leases and<br>Subscription<br>Assets |                                |                                     |               |
| 2015                               | 1,870,000                      | -              | -                     | 6,459,167        | -                                    | -                        | -              | -                     | 27,283,746       | -                                    | 35,612,913                     | 0.84%                               | 2,576         |
| 2016                               | 1,680,000                      | -              | -                     | 5,897,427        | -                                    | -                        | -              | -                     | 24,262,654       | -                                    | 31,840,081                     | 0.71%                               | 2,264         |
| 2017                               | 1,490,000                      | -              | -                     | 5,910,294        | -                                    | -                        | -              | -                     | 21,057,370       | -                                    | 28,457,664                     | 0.60%                               | 2,006         |
| 2018                               | 1,343,000                      | -              | -                     | 5,272,301        | -                                    | -                        | -              | -                     | 18,515,335       | -                                    | 25,130,636                     | 0.47%                               | 1,763         |
| 2019                               | 1,177,000                      | -              | -                     | 7,772,261        | -                                    | -                        | -              | -                     | 16,569,675       | -                                    | 25,518,936                     | 0.45%                               | 1,787         |
| 2020                               | 1,013,000                      | -              | 497,781               | 18,665,896       | -                                    | 12,100,000               | 12,100,000     | -                     | 10,993,348       | -                                    | 43,270,025                     | 0.70%                               | 2,859         |
| 2021                               | 852,000                        | -              | 585,283               | 18,829,483       | -                                    | 10,889,000               | 10,889,000     | 109,932               | 14,042,340       | -                                    | 45,308,038                     | 0.74%                               | 2,812         |
| 2022                               | 694,000                        | 3,935,950      | 414,802               | 16,709,750       | -                                    | 16,589,000               | 12,652,051     | 84,426                | 16,659,408       | -                                    | 67,739,387                     | 1.04%                               | 4,245         |
| 2023                               | 539,000                        | 3,635,654      | 276,833               | 37,617,677       | 354,990                              | 23,551,000               | 12,110,391     | 59,521                | 31,484,686       | 495,610                              | 109,274,762                    | *                                   | 6,847         |
| 2024                               | 387,000                        | 3,336,316      | 138,808               | 36,533,987       | 232,348                              | 21,756,000               | 11,555,899     | 33,437                | 37,812,112       | 379,940                              | 112,165,847                    | *                                   | 7,252         |

Note:

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

\*

Information not available.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

**UNAUDITED**

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Less: Amounts<br/>Available in<br/>Debt Service<br/>Funds</b> | <b>Total</b> | <b>Percentage of<br/>Estimated<br/>Actual Taxable<br/>Value of<br/>Property</b> | <b>Per<br/>Capita</b> |
|--|---|--|--------------|---|-----------------------|
| 2015   | 1,870,000                               | -  | 1,870,000    | 0.11%   | 139                   |
| 2016   | 1,680,000                               | -  | 1,680,000    | 0.09%   | 122                   |
| 2017   | 1,490,000                               | -  | 1,490,000    | 0.07%   | 106                   |
| 2018   | 1,343,000                               | -  | 1,343,000    | 0.06%   | 95                    |
| 2019   | 1,177,000                               | -  | 1,177,000    | 0.06%   | 83                    |
| 2020   | 1,013,000                               | -  | 1,013,000    | 0.05%   | 71                    |
| 2021   | 852,000                                 | -  | 852,000      | 0.04%   | 60                    |
| 2022   | 694,000                                 | -  | 694,000      | 0.03%   | 46                    |
| 2023   | 539,000                                 | -  | 539,000      | 0.02%   | 34                    |
| 2024   | 387,000                                 | -  | 387,000      | 0.01%   | 25                    |

Note: Details regarding the City of Hendersonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. See the Schedule of Demographic and Economic Statistics for population data.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2024**

**UNAUDITED**

| <u>Governmental Unit</u>                | <u>Governmental<br/>Activities<br/>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|---|---|--|--|
| <b>Debt repaid with property taxes:</b> |   |  |  |
| Henderson County                        | \$125,337,857   | 14.3%  | \$ 17,923,314  |
| Subtotal, Overlapping Debt              |   |  | <u>17,923,314</u>                                      |
| City of Hendersonville Direct           |   |  | <u>40,628,459</u>                                      |
| Total Direct and Overlapping Debt       |   |  | <u><u>\$ 58,551,773</u></u>                            |

Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property

Note 2: Overlapping rates are those of county and local governments that apply to property owners

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

|  | Fiscal Year        |                    |                    |                    |                    |                    |                    |                       |                      |                       |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|----------------------|-----------------------|
|  | 2015               | 2016               | 2017               | 2018               | 2019               | 2020               | 2021               | 2022                  | 2023                 | 2024                  |
| Debt Limit   | 135,907,787        | 138,980,953        | 139,121,830        | 140,427,714        | 144,197,265        | 171,501,199        | 175,596,939        | \$ 177,950,048        | \$ 185,269,651       | \$ 242,968,751        |
| Total Net Debt Applicable to Debt Limit                                  | 35,612,913         | 28,457,664         | 28,457,664         | 25,130,628         | 25,518,936         | 43,092,506         | 45,308,038         | 67,739,388            | 85,723,762           | 87,818,099            |
| Legal Debt Margin  | <u>100,294,874</u> | <u>110,523,289</u> | <u>110,664,166</u> | <u>115,297,086</u> | <u>118,678,329</u> | <u>128,408,693</u> | <u>130,288,901</u> | <u>\$ 110,210,660</u> | <u>\$ 99,545,889</u> | <u>\$ 155,150,652</u> |
| Total Net Debt Applicable to Debt Limit<br>as a Percentage of Debt Limit | <u>26.2%</u>       | <u>20.5%</u>       | <u>20.5%</u>       | <u>17.9%</u>       | <u>17.7%</u>       | <u>25.1%</u>       | <u>25.8%</u>       | <u>38.1%</u>          | <u>46.3%</u>         | <u>36.1%</u>          |

**Legal Debt Margin Calculation for Fiscal Year**

|   |                       |
|---|-----------------------|
| Total Assessed Value                          | \$ 3,037,109,388      |
| Debt Limit (8% of Total Assessed Value)       | 242,968,751           |
| Amount of Debt Applicable to Debt Limit:      |                       |
| Total Non-Bonded Debt                         | 87,431,099            |
| Total Bonded Debt                             | 387,000               |
| Total Amount of Debt Applicable to Debt Limit | <u>87,818,099</u>     |
| Legal Debt Margin                             | <u>\$ 155,150,652</u> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

| Fiscal<br>Year<br>Ended<br>June 30 | (1)                | (2)                  | (3)                           | (4)                              | (5)                  | (6)               | (7)   | (8)   |
|------------------------------------|--------------------|----------------------|-------------------------------|----------------------------------|----------------------|-------------------|-------|-------|
|                                    | City<br>Population | County<br>Population | Personal<br>Income<br>(000's) | Per Capita<br>Personal<br>Income | School<br>Enrollment | Unemployment Rate |       |       |
|                                    |                    |                      |                               |                                  |                      | County            | State | U.S.  |
| 2015                               | 13,663             | 110,939              | 4,031,132                     | 36,336                           | 13,495               | 4.6%              | 5.0%  | 5.7%  |
| 2016                               | 13,824             | 112,655              | 4,231,103                     | 37,558                           | 13,690               | 4.3%              | 4.9%  | 4.9%  |
| 2017                               | 14,064             | 114,209              | 4,454,428                     | 39,002                           | 13,241               | 3.6%              | 4.2%  | 4.4%  |
| 2018                               | 14,189             | 115,708              | 4,764,710                     | 41,179                           | 13,212               | 3.6%              | 4.2%  | 4.0%  |
| 2019                               | 14,251             | 116,748              | 5,323,876                     | 45,342                           | 13,361               | 3.6%              | 4.2%  | 3.7%  |
| 2020                               | 14,277             | 117,417              | 5,612,483                     | 47,385                           | 13,164               | 7.5%              | 7.6%  | 11.1% |
| 2021                               | 15,137             | 116,281              | 6,149,222                     | 52,634                           | 12,600               | 4.3%              | 4.9%  | 6.1%  |
| 2022                               | 16,115             | 116,829              | 6,524,513                     | 55,243                           | 12,671               | 3.5%              | 4.1%  | 3.8%  |
| 2023                               | 15,959             | 118,106              | *                             | *                                | 12,744               | 3.6%              | 4.0%  | 3.6%  |
| 2024                               | 15,466             | 119,230              | *                             | *                                | 12,632               | 3.4%              | 4.1%  | 4.3%  |

Data Sources:

- (1) US Census (QuickFacts)
- (2) US Census (QuickFacts)
- (3) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (4) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (5) Henderson County Public Schools
- (6) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (7) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (8) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics

\* Information not yet available.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

| <u>Employer</u>                 | <u>2024 Fiscal Year</u>    |             |  | <u>2015 Fiscal Year</u>    |             |  |
|---------------------------------|----------------------------|-------------|--|----------------------------|-------------|--|
|                                 | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Population</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Population</u> |
| Henderson County Schools        | 2,000                      | 1           | 12.93%                                     | 1,511                      | 1           | 11.06%                                     |
| Pardee Hospital                 | 1,940                      | 2           | 12.54%                                     | 1,233                      | 3           | 9.02%                                      |
| Park Ridge Health               | 1,115                      | 3           | 7.21%                                      | 1,248                      | 2           | 9.13%                                      |
| Ingles Markets, Inc.            | 1,178                      | 4           | 7.62%                                      | 1,183                      | 4           | 8.66%                                      |
| Henderson County                | 901                        | 5           | 5.83%                                      | 781                        | 5           | 5.72%                                      |
| Wilsonart LLC                   | 579                        | 6           | 3.74%                                      | 580                        | 7           | 4.25%                                      |
| Meritor                         | 544                        | 7           | 3.52%                                      | 458                        | 9           | 3.35%                                      |
| Wal-Mart*                       | *                          | 8           | *  | 381                        | 11          | 2.79%                                      |
| Hospice of Henderson County Inc | 479                        | 9           | 3.10%                                      | *                          | *           | *  |
| Blude Ridge Community College   | 242                        | 10          | 1.56%                                      | 440                        | 10          | 3.22%                                      |
| Sierra Nevada Brewing Co        | 177                        | 11          | 1.14%                                      | *                          | *           | *  |
| *Unavailable                    |                            |             |  |                            |             |  |
| Totals                          | <u>9,155</u>               |             | <u>59.19%</u>                              | <u>7,815</u>               |             | <u>57.20%</u>                              |

\* Information not available

Source: NC Dept of Commerce

Note: We could not get the number of employees from Wal-Mart for FY24. We are using prior year information.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

**UNAUDITED**

| <b>Function</b>                 | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Governmental Activities</b>  |             |             |             |             |             |             |             |             |             |             |
| <b>General Government:</b>      |             |             |             |             |             |             |             |             |             |             |
| Administration                  | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Finance                         | 13          | 12          | 14          | 18          | 19          | 18          | 18          | 21          | 19          | 19          |
| Support Services                | 15          | 13          | 14          | 17          | 17          | 17          | 19          | 22          | 23          | 27          |
| Subtotal                        | 33          | 30          | 33          | 40          | 41          | 40          | 42          | 48          | 47          | 51          |
| <b>Public Safety:</b>           |             |             |             |             |             |             |             |             |             |             |
| Police                          | 51          | 53          | 53          | 56          | 59          | 59          | 57          | 60          | 58          | 57          |
| Fire                            | 27          | 27          | 29          | 33          | 33          | 49          | 54          | 51          | 48          | 47          |
| Subtotal                        | 78          | 80          | 82          | 89          | 92          | 108         | 111         | 111         | 106         | 104         |
| <b>Public Works:</b>            |             |             |             |             |             |             |             |             |             |             |
| Fleet Maintenance               | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Building Maintenance            | 3           | 3           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Administration                  | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 4           | 5           | 5           |
| Streets & Highways              | 7           | 7           | 7           | 9           | 9           | 9           | 9           | 9           | 14          | 13          |
| Traffic Engineer                | 2           | 2           | 2           | 2           | 2           | 2           | 4           | 3           | 3           | 4           |
| Grounds Maintenance             | 8           | 8           | 8           | 8           | 8           | 8           | 9           | 9           | 10          | 13          |
| Subtotal                        | 29          | 29          | 30          | 32          | 32          | 32          | 35          | 35          | 42          | 45          |
| <b>Business-Type Activities</b> |             |             |             |             |             |             |             |             |             |             |
| Water and Sewer Fund            | 65          | 68          | 72          | 73          | 79          | 82          | 97          | 100         | 105         | 106         |
| Environmental Service Fund      | 14          | 15          | 15          | 14          | 14          | 14          | 14          | 14          | 14          | 14          |
| Stormwater                      |             |             |             |             |             |             |             |             | 1           | 1           |
| Parking Service Fund            |             |             |             |             |             |             |             |             | 2           | 2           |
| Subtotal                        | 79          | 83          | 87          | 87          | 93          | 96          | 111         | 114         | 122         | 123         |
| <b>Total</b>                    | <b>217</b>  | <b>219</b>  | <b>222</b>  | <b>232</b>  | <b>246</b>  | <b>258</b>  | <b>276</b>  | <b>299</b>  | <b>308</b>  | <b>323</b>  |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

**UNAUDITED**

| Function/Program                      | Fiscal Year |           |           |           |           |           |           |           |           |           |
|---------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                       | 2015        | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      | 2024      |
| General Government                    |             |           |           |           |           |           |           |           |           |           |
| Building Permits Issued:              |             |           |           |           |           |           |           |           |           |           |
| Residential                           | 119         | 130       | 101       | 221       | 256       | 309       | 241       | 188       | 282       | 430       |
| Commercial                            | 87          | 110       | 110       | 105       | 105       | 97        | 90        | 81        | 121       | 160       |
| Public Safety - Police                |             |           |           |           |           |           |           |           |           |           |
| Physical Arrests                      | 1,602       | 2,723     | 1,195     | 909       | 1,793     | 787       | 985       | 1,030     | 841       | 747       |
| Traffic Violations                    | 2,250       | 2,017     | 2,040     | 2,133     | 2,239     | 2,862     | 2,386     | 2,570     | 2,939     | 2,839     |
| Parking Violations                    | 2,216       | 3,029     | 2,462     | 1,790     | 1,415     | 854       | 689       | 1,226     | 5,325     | 5,870     |
| Public Safety - Fire                  |             |           |           |           |           |           |           |           |           |           |
| Number of Fire Calls Answered         | 4,121       | 4,352     | 4,761     | 4,638     | 4,499     | 3,855     | 3,825     | 4,099     | 4,224     | 3,956     |
| Inspections Conducted                 | 583         | 955       | 1,679     | 4,318     | 3,985     | 4,573     | 4,634     | 4,522     | 3,722     | 2,506     |
| Water                                 |             |           |           |           |           |           |           |           |           |           |
| Number of Service Connections         | 26,723      | 30,000    | 27,449    | 28,415    | 29,986    | 29,308    | 30,504    | 30,981    | 31,414    | 31,820    |
| Average Daily Production in Gallons   | 7,447,307   | 7,398,090 | 6,960,556 | 7,002,781 | 7,021,896 | 6,942,134 | 7,323,913 | 7,575,356 | 7,282,337 | 7,433,000 |
| Sewer                                 |             |           |           |           |           |           |           |           |           |           |
| Number of Service Connections         | 9,035       | 9,500     | 9,067     | 9,411     | 9,461     | 9,699     | 10,198    | 10,360    | 10,623    | 15,005    |
| Average Daily Treatment in Gallons    | 2,885,441   | 3,369,809 | 2,772,332 | 3,011,999 | 3,143,584 | 2,636,585 | 2,747,490 | 2,181,721 | 2,225,693 | 2,817,000 |
| Solid Waste                           |             |           |           |           |           |           |           |           |           |           |
| Refuse Collected (Tons per Year)      | 3,519       | 3,438     | 3,325     | 4,031     | 3,326     | 3,414     | 3,566     | 3,524     | 3,456     | 3,541.79  |
| Recycling Collections (Tons per Year) | 928         | 1,033     | 1,106     | 1,231     | 1,107     | 1,005     | 1,070     | 997       | 924       | 824.95    |
| Scrap Metal (Tons per Year)           | 6           | 12        | 23        | 12        | 32        | 84        | 11        | 20,630    | 12        | 747.3     |

Sources: Various City of Hendersonville Deaprtments

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CAPITAL ASSET STATISTICS BY FUNCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

| Function                     | Fiscal Year |       |       |       |       |       |       |       |       |        |
|------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
|                              | 2015        | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024   |
| Hendersonville               |             |       |       |       |       |       |       |       |       |        |
| Public Facilities/Buildings  | 5           | 5     | 1     | 1     | 2     | 3     | 3     | 3     | 3     | 3      |
| Public Safety - Police       |             |       |       |       |       |       |       |       |       |        |
| Number of Police Stations    | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1      |
| Number of Patrol Units       | 39          | 30    | 30    | 30    | 42    | 35    | 40    | 40    | 40    | 48     |
| Public Safety - Fire         |             |       |       |       |       |       |       |       |       |        |
| Number of Fire Stations      | 2           | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2      |
| Number of Fire Trucks        | 6           | 5     | 6     | 5     | 5     | 5     | 6     | 6     | 6     | 6      |
| Public Service               |             |       |       |       |       |       |       |       |       |        |
| Streets (in Miles)           | 68.20       | 68.20 | 65.75 | 65.75 | 65.75 | 65.75 | 65.75 | 67.55 | 67.55 | 134.00 |
| Street Lights (Leased)       | 1,515       | 1,515 | 1,520 | 1,520 | 1,532 | 1,532 | 1,532 | 1,536 | 1,536 | 1,542  |
| Street Lights (Owned)        | 189         | 189   | 256   | 215   | 286   | 286   | 286   | 286   | 286   | 288    |
| Parks and Recreation         |             |       |       |       |       |       |       |       |       |        |
| Parks Acreage                | 158         | 158   | 158   | 158   | 158   | 158   | 158   | 184   | 184   | 147.39 |
| Tennis & Racquet Ball Courts | 8           | 8     | 8     | 8     | 8     | 8     | 8     | 4     | 2     | 2      |
| Parks                        | 12          | 12    | 12    | 12    | 12    | 12    | 12    | 12    | 12    | 12     |
| Shuffle Board Courts         | 27          | 27    | 27    | 27    | 27    | 27    | 27    | 14    | 14    | 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)          | 640         | 653   | 623   | 624   | 633   | 634   | 664   | 712   | 721   | 693    |
| Fire Hydrants                | 2,626       | 2,648 | 2,662 | 2,692 | 2,694 | 2,751 | 2,921 | 3,035 | 3,147 | 3,209  |
| Sewer                        |             |       |       |       |       |       |       |       |       |        |
| Sanitary Sewers (Miles)      | 178         | 180   | 182   | 182   | 182   | 183   | 183   | 186   | 190   | 190    |
| Storm Sewers (Miles)         | 30          | 30    | 30    | 30    | 30    | 30    | 30    | 30    | 39.8  | 40     |
| Solid Waste                  |             |       |       |       |       |       |       |       |       |        |
| Collection/Refuse Trucks     | 4           | 4     | 4     | 4     | 4     | 6     | 6     | 6     | 6     | 7      |

Sources: Various City of Hendersonville departments.

**COMPLIANCE SECTION**

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**Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

To the City Council  
City of Hendersonville  
Hendersonville, North Carolina

We have audited, in accordance with the 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of City of Hendersonville, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises City of Hendersonville's basic financial statements, and have issued our report thereon dated December 12, 2024. The financial statements of the City of Hendersonville ABC Board were not audited in accordance with Government Auditing Standards.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hendersonville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hendersonville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 that is required to be reported under *Government Auditing Standards*.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 12, 2024



**Report On Compliance For Each Major Federal Program; Report on Internal Control  
Over Compliance; In accordance with OMB Uniform Guidance; and the State Single  
Audit Implementation Act**

**Independent Auditors' Report**

To the City Council  
City of Hendersonville  
Hendersonville, North Carolina

**Report on Compliance for Each Major Federal Program**

Opinion on Each Major Federal Program

We have audited City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and 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 City of Hendersonville's major federal programs for the year ended June 30, 2024. City of Hendersonville's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hendersonville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hendersonville and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hendersonville's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Hendersonville federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hendersonville's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hendersonville's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Hendersonville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Hendersonville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hendersonville's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness in internal control over compliance*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 12, 2024



**Report On Compliance For Each Major State Program; Report on Internal Control  
Over Compliance; In accordance with OMB Uniform Guidance; and the State Single  
Audit Implementation Act**

**Independent Auditors' Report**

To the City Council  
City of Hendersonville  
Hendersonville, North Carolina

**Report on Compliance for Each Major State Program**

Opinion on Each Major State Program

We have audited City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *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 City of Hendersonville's major State programs for the year ended June 30, 2024. City of Hendersonville's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hendersonville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hendersonville and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of City of Hendersonville's compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Hendersonville state programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hendersonville's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hendersonville's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Hendersonville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Hendersonville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hendersonville's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a *material weakness in internal control over compliance*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 12, 2024

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2024

**I. Summary of Auditor’s Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes   no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes   none reported
- Noncompliance material to financial statements noted \_\_\_yes   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_yes   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes   none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes   no

The following were audited as major federal programs for the fiscal year ended June 30, 2024:

| <u>Program Name</u>                   | <u>AL #</u> |
|---------------------------------------|-------------|
| Drinking Water State Revolving Fund   | 66.468      |
| Community Facilities Loans and Grants | 10.766      |
| American Rescue Plan Act              | 21.027      |

The threshold for determining Type A programs for City of Hendersonville is \$750,000.

City of Hendersonville does not qualify as a low risk auditee.



**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2024

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

**IV. State Award Findings and Questioned Costs**

None reported.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PROIR AUDIT FINDINGS**  
For the year ended June 30, 2024

None reported.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

| Grantor/Pass-Through Grantor/Program Title                      | Federal AL |                                     | Federal (Direct and Pass-Through) |                    |
|---|------------|-------------------------------------|-----------------------------------|--------------------|
|   | Number     | State/Pass Through Grantor's Number | Expenditures                      | State Expenditures |
| <b>Federal Awards:</b>  |            |                                     |                                   |                    |
| <b>U.S. Department of the Treasury</b>                          |            |                                     |                                   |                    |
| Pass-Through Program - N.C. Department of Environmental Quality |            |                                     |                                   |                    |
| CW SRP ARPA Grants "At Risk"                                    | 21.027     | SRP-W-ARP-0031                      | \$ 3,614,830                      | \$ -               |
| DW AIA ARPA Grants  | 21.027     | AIA-D-ARP-0091                      | 210,889                           | -                  |
| Stormwater (SW) ARPA - Earmarks SL2021-180, Section 12.14.(b)   | 21.027     | SRP-SW-ARP-0034                     | 167,800                           | -                  |
| Stormwater (SW) ARPA - Const Grants                             | 21.027     | SW-ARP-0012                         | 226,283                           | -                  |
| Total N.C. Department of Environmental Quality                  |            |                                     | <u>4,219,802</u>                  | <u>-</u>           |
| <b>U.S. Department of Housing and Urban Development</b>         |            |                                     |                                   |                    |
| Ashe Street Community   | 14.228     | 19-C-3128(NR)                       | <u>137,327</u>                    | <u>-</u>           |
| <b>U.S. Department of Justice</b>                               |            |                                     |                                   |                    |
| Direct Programs:  |            |                                     |                                   |                    |
| Equitable Sharing Program                                       | 16.922     |                                     | 4,726                             | -                  |
| Pass-Through Program - Governor's Crime Commission:             |            |                                     |                                   |                    |
| Edward Byrne Memorial Justice Assistance Grant Program          | 16.738     | 15PBJA-22-GG-00633-JAGX             | 24,996                            | -                  |
| Edward Byrne Memorial Justice Assistance Grant Program          | 16.738     | 15PBJA-22-GG-00633-JAGX             | 21,150                            | -                  |
| Total US Dept of Justice  |            |                                     | <u>50,872</u>                     | <u>-</u>           |
| <b>U.S. Department of Transportation</b>                        |            |                                     |                                   |                    |
| State and Community Highway Safety                              |            |                                     |                                   |                    |
| Governor's Highway Safety Program                               | 20.600     | PT-23-06-32                         | 261                               | -                  |
| Governor's Highway Safety Program                               |            |                                     | 6,902                             | -                  |
| Total U.S. Department of Transportation                         |            |                                     | <u>7,163</u>                      | <u>-</u>           |
| <b>U.S. Environmental Protection Agency</b>                     |            |                                     |                                   |                    |
| Pass-Through Program - N.C. Department of Environmental Quality |            |                                     |                                   |                    |
| Drinking Water State Revolving Fund (DWSRF) Cluster             | 66.468     | H-SRF-F-20-1940                     | 7,006,665                         | -                  |
| Clean Water Act. Sec. 201(g)(1)(B) Under Sec. 319(h)            | 66.460     | CW34334                             | 268,500                           | -                  |
| NC319   | 66.460     | 8048                                | 174,192                           | -                  |
| Total EPA - Grant and Loan                                      |            |                                     | <u>7,449,357</u>                  | <u>-</u>           |
| <b>U.S. Department of Transportation</b>                        |            |                                     |                                   |                    |
| Pass-Through Program - NC Department of Transportation:         |            |                                     |                                   |                    |
| Highway Planning and Construction                               | 20.205     | BRSTP-1932(9)                       | 25,305                            | -                  |
| Federal Highway Administration                                  | 20.205     | BL-0008                             | 210,376                           | -                  |
| Total Department of Transportation                              |            |                                     | <u>235,681</u>                    | <u>-</u>           |
| <b>U.S. Department of Agriculture</b>                           |            |                                     |                                   |                    |
| Community Facilities Loans and Grants (Loan Balances)           | 10.766     |                                     | <u>10,937,951</u>                 | <u>-</u>           |
|   |            | <b>Total Federal Awards</b>         | <b><u>23,038,153</u></b>          | <b><u>-</u></b>    |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

| Grantor/Pass-Through Grantor/Program Title               | Federal AL<br>Number | State/Pass Through Grantor's Number   | Federal (Direct and<br>Pass-Through)<br>Expenditures | State Expenditures         |
|--|----------------------|---------------------------------------|--|----------------------------|
| <b>State Awards:</b>                                     |                      |                                       |  |                            |
| <b>N.C Department of Environmental Quality</b>           |                      |                                       |  |                            |
| Division of Water Infrastructure:                        |                      |                                       |  |                            |
| Connect NC Bond Program                                  |                      | H-SRP-D-17-0132                       | -  | 169,185                    |
| S.L. 2023-134 Appropriations Act Direct Project          |                      | SRP-W-134-0060                        | -  | 939,601                    |
| Total Department of Environmental Quality                |                      |                                       | -  | <u>1,108,786</u>           |
| <b>N.C. Office of State Budget and Management</b>        |                      |                                       |  |                            |
| SCIF Directed Grants                                     |                      | 10161                                 | -  | <u>2,515</u>               |
| <b>N.C. Department of Transportation</b>                 |                      |                                       |  |                            |
| Powell Bill Program                                      |                      | DOT-4                                 | -  | <u>536,404</u>             |
| <b>N.C. Department of Natural and Cultural Resources</b> |                      |                                       |  |                            |
| North Carolina Land and Water Fund                       |                      |                                       | -  | <u>124,800</u>             |
|  |                      | <b>Total State Awards</b>             | -  | <u><b>1,772,505</b></u>    |
|  |                      | <b>Total Federal and State Awards</b> | <b>\$ 23,038,153</b>                                 | <b>\$ <u>1,772,505</u></b> |

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Hendersonville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Hendersonville, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Hendersonville.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Hendersonville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. Balances of Federally Funded Loans**

As of June 30, 2024 the City has federally funded loans outstanding as follows:

|   |    |            |
|---|----|------------|
| (1) United States Department of Agriculture | \$ | 10,937,951 |
|---|----|------------|