

CITY OF HENDERSONVILLE NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT JUNE 30, 2025



Prepared by: Finance Department
Submitted by: Krystal Powell, CLGFO, Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

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INTRODUCTORY SECTION

CITY COUNCIL:
BARBARA G. VOLK
Mayor
DR. JENNIFER HENSLEY
Mayor Pro Tem
GINA BAXTER
MELINDA LOWRANCE
LYNDSEY SIMPSON



CITY OF HENDERSONVILLE

The City of Four Seasons

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

December 30, 2025

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) of the City of Hendersonville for the fiscal year ended June 30, 2025. This report is prepared in accordance with generally accepted accounting principles (GAAP) for state and local governments and complies with standards established by the Governmental Accounting Standards Board (GASB). North Carolina General Statute 159-34 requires that local governments prepare audited financial statements following the close of each fiscal year.

This report reflects management's representations concerning the financial condition and operations of the City. Management is responsible for the accuracy, completeness, and fairness of the information presented. To fulfill this responsibility, the City has established a comprehensive internal control framework designed to safeguard assets, ensure reliable financial reporting, promote operational efficiency, and encourage compliance with applicable laws and regulations. These internal controls provide reasonable, rather than absolute, assurance that the City's financial statements are free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.

Independent Audit

The City of Hendersonville's financial statements have been audited by Gould Killian CPA Group, a firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2025 are free from 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, 2025 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 further requires management to provide a narrative analysis of the City's financial activities in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report and should be read in conjunction with this letter.

Profile of the Government

The City of Hendersonville, incorporated on January 7, 1847, is the county seat of Henderson County and the largest of five municipalities within the County. The City serves as a regional center for commerce, tourism, and services, with an economic base that includes industry, agriculture, and tourism. Hendersonville is recognized for its vibrant Historic Downtown and the nearby Historic Seventh Avenue District. Downtown Hendersonville was listed on the National Register of Historic Places in 1988 for its historical significance and preservation efforts. The City also hosts the annual North Carolina Apple Festival. According to the most recent certified population estimate published by the North Carolina Office of State Budget and Management on September 24, 2025, Hendersonville's population is 17,149.

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, GA and 450 miles south of Washington, D.C. The City is 42 miles from Greenville, SC and 24 miles from Asheville, NC. The City is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

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

The 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, parking services, sanitation services, and a stormwater program are provided by the City. The City also provides water and sewer service, both inside and outside City limits.

The City 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. Departments may reallocate budget resources within their own department as needed. The City Manager is authorized to approve revisions to appropriations between departments, divisions, or projects within the same fund, other than salary adjustments provided the fund's total appropriated amount does not change. Any transfers between funds or any revision that alters a fund's total appropriated balance must be approved by the City Council.

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 58,000. Unemployment in Henderson County was 3.4 % in June 2025, up 0.3% 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. Only the current year's 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. The future outlook presented in the (CIP) assists the City in planning for capital repairs, replacements, and acquisitions, while supporting long-term financial planning and the maintenance of the City's fiscal stability. 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 Statute 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 applicable. 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 the goal of making the 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. 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 roadways, sidewalks, 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 motor vehicle fee revenues 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.

A significant milestone during the year was the completion of the Historic Seventh Avenue District Streetscape Project. The project included major pedestrian, water, sewer, and stormwater infrastructure improvements, as well as enhanced lighting and landscaping. These improvements strengthened walkability, improved connections to the Main Street Municipal Service District, and reinforced the historic character of the district. The City celebrated the grand opening of the revitalized historic district on May 3, 2025.

Hurricane Helene

Fiscal year 2025 was significantly impacted by Hurricane Helene, which affected Western North Carolina on September 27, 2024. Historic rainfall, combined with saturated ground conditions, resulted in widespread flooding, road washouts, and landslides. While the magnitude of the storm was unexpected for Hendersonville, City operations remained active throughout the event.

The most substantial impacts to the City were related to excessive rainfall and flooding, which caused damage to public and private property, utilities, and infrastructure. Thousands of residents and businesses temporarily lost access to potable water, electricity, and communications services. The City regained potable water within a week of the event with some residents never losing water service.

Several City facilities sustained storm-related damage, including City Hall, the City Operations Center, Patton Park Pool, the Whitmire Activity Center, water intakes and reservoirs, and the Wastewater Treatment Facility. Other key facilities, including Fire Stations I and II, Police Headquarters, Public Works Grounds Maintenance, and the Water Treatment Facility, experienced minimal or no damage.

In November 2024, the City engaged iParametrics to provide recovery management support, including damage assessments, identification of funding sources for recovery costs, and coordination with the Federal Emergency Management Agency (FEMA) for reimbursement of eligible expenses.

Preliminary estimates, subject to ongoing assessment and eligibility determinations, place City facility damages and emergency response costs at approximately \$160 million. The Wastewater Treatment Facility represents the single largest project, estimated at more than \$100 million. To support cash flow and maintain project momentum, the City utilized approximately \$12 million in short-term emergency cash-flow loans. The City anticipates receiving a significant level of FEMA reimbursement for eligible expenses; however, the timing and amount of reimbursement remain subject to federal approval processes.

While recovery efforts remain ongoing, City management does not anticipate long-term adverse economic impacts from Hurricane Helene. The City continues to work closely with FEMA and North Carolina Emergency Management and recognizes that full recovery and rebuilding will extend over multiple fiscal years.

Water & Sewer Initiatives and Projects

The City of Hendersonville provides high-quality water services to approximately 78,000 customers and wastewater services to approximately 21,000 customers, with a continued focus on system reliability, environmental stewardship, and capacity to support sustainable growth. The system also operates and maintains over 653 miles of water lines (ranging in size from 2-inches to 24-inches), 60 water pump 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 pump stations.

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2025, 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 Facility 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 Facility.

The City also continued planning and design efforts to replace aging water and sewer infrastructure in the Ashe Street Neighborhood and 4th Avenue area, where water and sewer infrastructure was installed in the 1920s requires significant maintenance. These improvements are intended to support ongoing commercial and residential revitalization efforts and will be coordinated with future streetscape and roadway projects.

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. 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.

In addition, the City continued development of a Biosolids Thermal Dryer, which 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 system 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. The Stormwater Management Program, adopted into the City's Code of Ordinances in 2007, addresses stormwater runoff and water quality protection under the Clean Water Act through six management areas: public outreach and education; public involvement; illicit discharge detection and elimination; construction site runoff control; post-construction runoff control; and pollution prevention and good housekeeping.

Construction of the Lower Mud Creek Project began in September 2025. The project includes stream restoration along Mud Creek, 8.5 acres of wetland restoration, and 9.2 acres of riparian floodplain restoration. These improvements will

enhance ecological function, improve stormwater treatment, support complementary flood-reduction activities, and increase climate resiliency within the flood-prone and impaired Mud Creek and Johnson Ditch watersheds. The project will be funded by federal and state grants and is forecasted to be substantially complete in September of 2026.

Awards and Acknowledgments

 The Government Finance Officers Association of the United States and Canada (GFOA) once again awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This was the 35th 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 annual comprehensive 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 efforts 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, Deputy City Manager, and Management Team for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Respectfully submitted,



Krystal Powell, CLGFO
Finance Director



Adam Murr, CLGBO
Budget & Evaluation Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF
YEAR ENDED JUNE 30, 2025**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tempore – Dr. Jennifer Hensley

Gina Baxter

Melinda Lowrance

Lyndsey Simpson

CITY STAFF

City Manager – John F. Connet

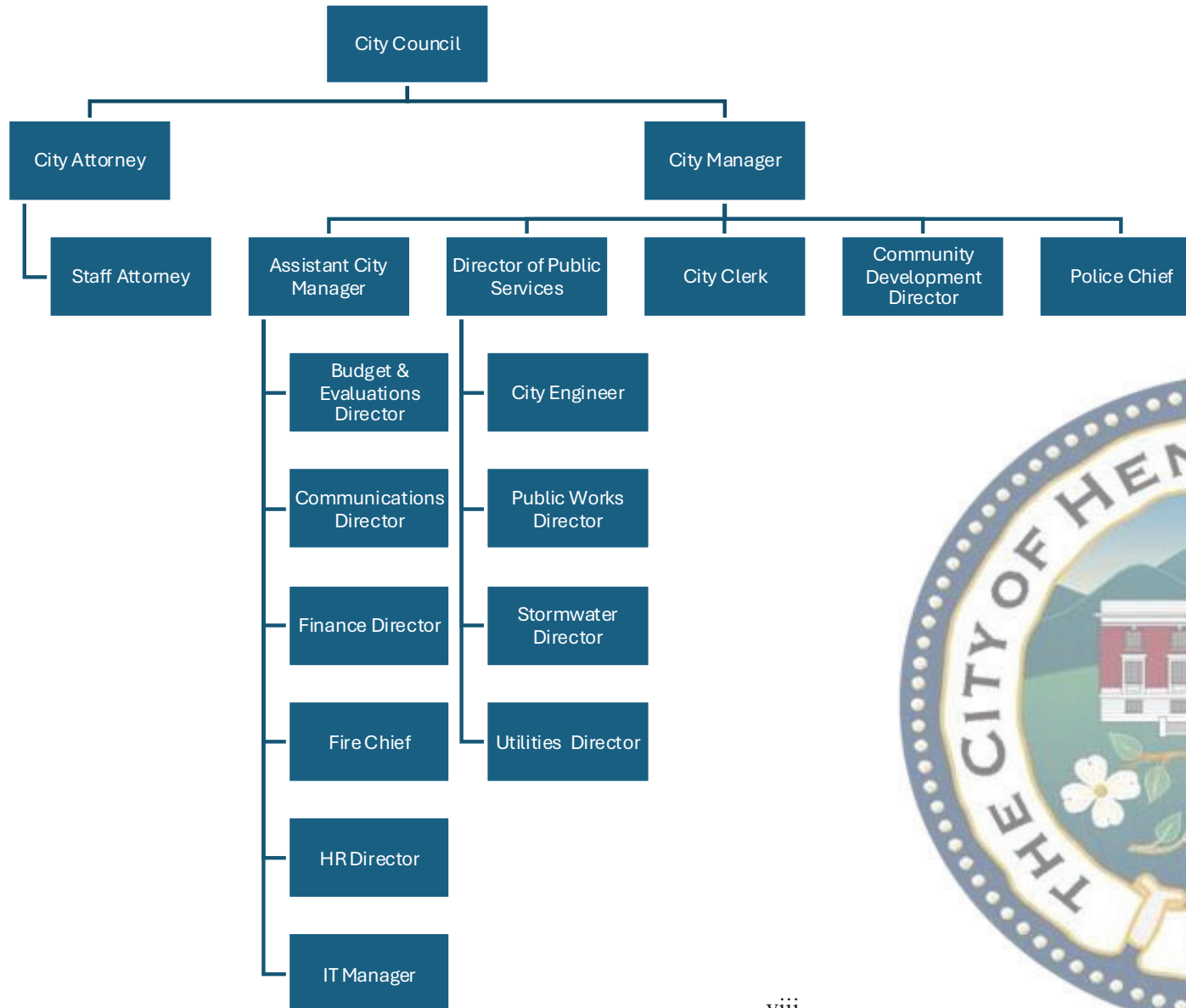
Assistant City Manager – Brian Pahle

City Clerk – Jill Murray

City Attorney – Angela S. Beeker

Finance Director – Krystal Powell

CITY OF HENDERSONVILLE ORGANIZATIONAL CHART





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, 2024

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION



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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the general 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, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 30, 2025 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 30, 2025

Management's Discussion and Analysis

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 position and activities of the City for the fiscal year ended June 30, 2025 ("FY 2025"). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

FINANCIAL HIGHLIGHTS

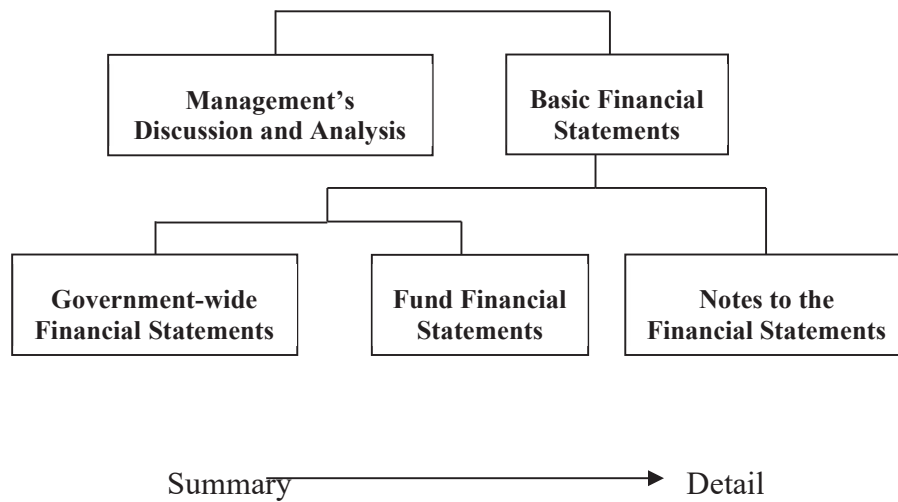
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$135,298,711 (net position). Of this amount, \$5,718,222 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net position of \$135,298,711 represents an increase of \$5,880,305 over fiscal year 2024's net position of \$129,418,406. The increase in net position during fiscal year 2025 was influenced by insurance proceeds related to Hurricane Helene, which are not expected to continue in future fiscal years.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,120,945, a decrease of \$841,409 in comparison to the prior year's decrease of \$18,558,119.
- At the end of the current fiscal year, available fund balance for the General Fund was \$7,380,491 or 26.6% of total General Fund expenditures. Available fund balance is defined as total General Fund balance less nonspendable items, amounts required for stabilization under State statute, and legally restricted amounts.
- The City's total debt, excluding compensated absences, pension, and other postemployment benefits, decreased by \$3,069,989 in FY 2025 as a result of scheduled principal payments made on outstanding debt obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 10) 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. Following the notes is the **Required Supplementary Information**. This section is 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:

Governmental Activities - These activities of the City include general government, public safety, public works, and economic and physical development. Property taxes, local sales tax, permits/fees, and state and federal grant funds finance most of these activities.

Business-Type Activities - The business-type activities are those that the City charges customers to provide. These include the water and sewer, environmental service, parking, and stormwater activities offered by the City.

Component Units – The government-wide financial statements include the City of Hendersonville (the primary government) and the Hendersonville Alcoholic Beverage Control Board (the “ABC Board”), which is a legally separate entity. Although the ABC Board is legally separate from the City, it is considered a component unit because the City appoints the members of the ABC Board in accordance with North Carolina General Statute § 18B-700. In addition, pursuant to North Carolina General Statute § 18B-805, the ABC Board is required to distribute its remaining gross receipts, after payment of operating expenses and required statutory remittances, to the City on a quarterly basis.

The government-wide financial statements directly follow the management's discussion and analysis of this report.

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. The City has three different types of funds: 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.

The City adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the Hendersonville citizens, City management, and the decisions of the City 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 can be found directly following the notes of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position
Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	Restated		Restated		Restated	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 19,084,355	\$ 22,344,160	\$ 17,577,251	\$ 22,899,928	\$ 36,661,606	\$ 45,244,088
Capital assets, net	65,228,327	63,706,736	165,959,046	158,164,607	231,187,373	221,871,343
Total assets	<u>84,312,682</u>	<u>86,050,896</u>	<u>183,536,297</u>	<u>181,064,535</u>	<u>267,848,979</u>	<u>267,115,431</u>
Total deferred outflows of resources	<u>5,634,360</u>	<u>6,615,964</u>	<u>3,992,622</u>	<u>4,630,674</u>	<u>9,626,982</u>	<u>11,246,638</u>
Long-term liabilities outstanding	53,987,918	54,949,255	78,933,581	80,730,995	132,921,499	135,680,250
Other liabilities	2,133,924	4,433,215	4,545,679	6,342,002	6,679,603	10,775,217
Total liabilities	<u>56,121,842</u>	<u>59,382,470</u>	<u>83,479,260</u>	<u>87,072,997</u>	<u>139,601,102</u>	<u>146,455,467</u>
Total deferred inflows of resources	<u>1,195,478</u>	<u>1,132,192</u>	<u>1,380,670</u>	<u>1,356,004</u>	<u>2,576,148</u>	<u>2,488,196</u>
Net Position:						
Net investment in capital assets	26,166,354	28,976,948	94,587,141	85,732,280	120,753,495	114,709,228
Restricted	8,826,994	7,676,645	-	-	8,826,994	7,676,645
Unrestricted	(2,363,626)	(4,501,395)	8,081,848	11,533,928	5,718,222	7,032,533
Total net position	<u>\$ 32,629,722</u>	<u>\$ 32,152,198</u>	<u>\$102,668,989</u>	<u>\$ 97,266,208</u>	<u>\$ 135,298,711</u>	<u>\$ 129,418,406</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 \$135,298,711 as of June 30, 2025. The City's net position increased by \$5,880,305 for the fiscal year ended June 30, 2025. The largest portion of net position of \$120,753,495 (89.2%) 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 \$8,826,994 (6.6%) represents resources that are subject to external restrictions on how they may be used. The unrestricted balance of \$5,718,222 (4.2%) is low in comparison to total net position due to unfunded pension and OPEB liabilities where a liability exists with no related asset.

City's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,230,780	\$ 1,246,621	\$ 31,273,772	\$ 29,010,391	\$ 32,504,552	\$ 30,257,012
Operating grants and contributions	2,506,041	1,840,703	340,077	-	2,846,118	1,840,703
Capital grants and contributions	499,125	5,202,895	4,052,166	7,952,568	4,551,291	13,155,463
General revenues:						
Property taxes	17,599,091	15,262,782	-	-	17,599,091	15,262,782
Local option sales tax	7,087,913	6,247,325	-	-	7,087,913	6,247,325
Grants and contributions, not restricted to specific programs	-	15,000	-	-	-	15,000
Other	3,549,198	3,701,703	3,411,516	704,960	6,960,714	4,406,663
Total revenues	32,472,148	33,517,029	39,077,531	37,667,919	71,549,679	71,184,948
Expenses:						
General government	6,598,827	6,480,307	-	-	6,598,827	6,480,307
Public safety	16,367,360	15,556,293	-	-	16,367,360	15,556,293
Public works	2,793,452	3,468,027	-	-	2,793,452	3,468,027
Economic and physical development	1,342,523	1,031,391	-	-	1,342,523	1,031,391
Cultural and recreational	1,294,014	1,106,846	-	-	1,294,014	1,106,846
Interest and fees	1,085,890	1,109,165	-	-	1,085,890	1,109,165
Water and sewer	-	-	25,774,853	25,357,856	25,774,853	25,357,856
Parking services	-	-	1,248,576	1,083,015	1,248,576	1,083,015
Environmental services	-	-	1,887,495	1,785,510	1,887,495	1,785,510
Stormwater	-	-	1,309,052	1,076,665	1,309,052	1,076,665
Total expenses	29,482,066	28,752,029	30,219,976	29,303,046	59,702,042	58,055,075
Change in net position before special item and transfers	2,990,082	4,765,000	8,857,555	8,364,873	11,847,637	13,129,873
Transfers	(347,841)	(5,195,772)	347,841	5,195,772	-	-
Extraordinary items	(2,164,717)	-	(3,802,615)	-	(5,967,332)	-
Change in net position	477,524	(430,772)	5,402,781	13,560,645	5,880,305	13,129,873
Net position, beginning as previously reported	32,152,198	32,500,158	97,266,208	82,985,289	129,418,406	115,485,447
Prior period adjustment	-	82,812	-	720,274	-	803,086
Net position, beginning, as restated	32,152,198	32,582,970	97,266,208	83,705,563	129,418,406	116,288,533
Net position, ending	<u>\$ 32,629,722</u>	<u>\$ 32,152,198</u>	<u>\$ 102,668,989</u>	<u>\$ 97,266,208</u>	<u>\$ 135,298,711</u>	<u>\$ 129,418,406</u>

Governmental Activities: Governmental activities increased the City's net position by \$477,524. The increase is primarily due to increases in ad valorem taxes and local sales tax.

Business-Type Activities: Business-type activities increased the City's net position by \$5,402,781 during fiscal year 2025. This increase was driven primarily by higher total revenues resulting from the addition of system development fee revenue, grant revenue, donated assets, and insurance proceeds related to Hurricane Helene that had not been expended as of June 30. Insurance proceeds and disaster-related grant revenues are nonrecurring in nature and contributed significantly to the increase in net position for the year.

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 \$7,380,491 while total fund balance reached \$12,433,902. 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 balance available for appropriation as a percentage of expenditures is 26.65%, and total fund balance is 44.90%.

At June 30, 2025 the governmental funds of the City reported a combined total governmental fund balance of \$17,120,945, a decrease of \$841,409 over last year. The decrease was primarily due to expenses incurred for the City Hall and Operations Center Renovation, construction completion of Fire Station I, and completion of 7th Avenue Streetscape project.

The General Fund recorded operating revenues of \$28,443,803 during FY 2025, which was an increase of \$3,102,277, or 12.3% over the \$25,341,526 recorded in FY 2024, primarily due to the following:

- Ad Valorem Tax revenues increased by approximately \$2,393,692, or 16.1%, compared to fiscal year 2024. This increase was primarily attributable to a \$0.03 per \$100 increase in the adopted tax rate, combined with continued growth in the City's tax base.
- Local Option Sales Tax Revenue increased over the prior fiscal year by approximately \$790,153 or 5.3%. 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.
- Sales and Services Revenue was \$149,092 less than in FY 2024, primarily due to less Paving Cut Repair revenue and lower Facility Rental revenues resulting from the impacts of Hurricane Helene.

Expenditures in the General Fund, not including transfers, were \$26,540,334 for fiscal year 2025, which was an increase of approximately \$584,547, or 2.3% over the \$25,955,787 recorded in fiscal year 2024, primarily due to increases in personnel costs. The increase in personnel costs includes the addition of one new position along with a COLA of 5%. Medical insurance premiums also increased by 6.2%.

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. 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 \$26,540,334, which was \$1,125,269 or 4.3% below the \$27,665,603 revised expenditures budget for the fiscal year 2025. 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 City Hall and Operations Center Renovations, City Hall 3rd Floor Renovations, Fire Station I, 7th Avenue Streetscape, and purchase of Police Vehicles. Fire Station I, City Hall and Operations Center Renovations were completed in FY 2025 and put into service.

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), the Grants Fund, and the Hurricane Helene Fund. Revenues for FY 2025 in the non-

major governmental funds increased by approximately \$1,431,800 and expenditures increased by approximately \$2,367,500 over the prior year. There was a total fund balance crease of \$587,183.

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 and Sewer Fund generated operating revenues of \$26,814,450 during fiscal year 2025, an increase of \$1,904,861, or 7.65%, compared to fiscal year 2024. Total net nonoperating revenue improved significantly, shifting from a net loss of \$257,200 in fiscal year 2024 to a net gain of \$2,324,358 in fiscal year 2025. This improvement was driven primarily by more than \$3M in insurance proceeds related to Hurricane Helene claims, along with approximately \$300,000 in FEMA grant funding received as a result of the storm. Total net position at year-end was \$99,694,955, reflecting an increase of \$3,991,131, of which \$9,121,847 was unrestricted.

Operating expenses for the Water and Sewer Fund totaled \$24,544,470 in fiscal year 2025, representing an increase of \$124,937, or 1%, over fiscal year 2024. This increase was attributable to a 5% cost-of-living adjustment, a 6.2% increase in medical insurance premiums, and the addition of four positions. Expenditures were also higher due to inflationary pressures on electricity costs, rising sludge management expenses, and continued investments in SCADA systems and other information technology and network security initiatives.

Parking Services Fund

Total net position in the Parking Services Fund increased by \$124,823 as of June 30, 2025, compared to the prior year, primarily as a result of a \$194,340 transfer from the General Fund. Operating revenues increased by \$50,727, or 4.6%, while operating expenditures increased by \$177,822, or 21.5%. At year-end, the Parking Services Fund reported a total net position of \$502,572, of which a deficit of (\$569,012) was unrestricted.

Non-major Enterprise Funds

Total net position increased in the non-major enterprise funds by \$1,286,827 at June 30, 2025 compared to the prior year. This increase was driven primarily by a significant rise in total net nonoperating revenues, reflecting FEMA grant revenues, proceeds from the sale of capital assets, and insurance recoveries. Capital contributions also increased year over year by \$248,232 due to capital project grant funding and donated capital assets. In addition, operating revenues increased by approximately \$307,793, or 10.3%, while operating expenditures increased by \$333,086, or approximately 11.8%.

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, 2025, totaled \$231,187,373 (net of accumulated depreciation/amortization). This was an increase of \$32,476,756 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:

- Clear Creek Greenway
- Fire Station I (complete)
- City Hall and Operations Center Renovation (complete)
- 7th Avenue Streetscape Project (complete)
- WWTP UV Disinfection
- Biosolids Thermal Dryer
- 4th and Ashe Street Water and Sewer Replacement
- French Broad River Raw Water Intake Construction
- WTP 15 MGD Expansion
- WWTP 6MGD Expansion
- Lower Mud Creek Floodplain Restoration

City's Net Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,787,452	\$ 4,779,095	\$ 8,054,225	\$ 5,601,616	\$ 12,841,677	\$ 10,380,711
Construction in process	1,581,895	21,187,870	36,346,951	33,937,959	37,928,846	55,125,829
Buildings	37,589,363	18,661,062	11,763,630	11,562,062	49,352,993	30,223,124
Other improvements	3,238,531	3,408,235	509,442	153,162	3,747,973	3,561,397
Machinery and equipment	7,036,385	7,135,613	6,511,372	4,812,022	13,547,757	11,947,635
Software	-	-	14,400	22,235	14,400	22,235
Infrastructure	10,814,081	8,285,136	102,466,298	78,434,772	113,280,379	86,719,908
Lease assets	110,288	146,713	37,451	61,335	147,739	208,048
Subscription assets	70,332	103,018	255,277	418,712	325,609	521,730
Total	<u>\$ 65,228,327</u>	<u>\$ 63,706,742</u>	<u>\$ 165,959,046</u>	<u>\$ 135,003,875</u>	<u>\$ 231,187,373</u>	<u>\$ 198,710,617</u>

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

Additional information on the City's capital assets can be found in Note 2 of the Financial Statements.

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, 2025, the City had total bonded debt outstanding of \$32,608,000 (net of unamortized premiums). Of this total bonded debt, \$238,000 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

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 238,000	\$ 387,000	\$ -	\$ -	\$ 238,000	\$ 387,000
Limited obligation bonds	2,665,000	2,890,000	9,785,000	10,195,000	12,450,000	13,085,000
Premium on bonds	378,071	446,316	1,208,957	1,360,899	1,587,028	1,807,215
Revenue bonds	-	-	19,920,000	21,756,000	19,920,000	21,756,000
State revolving loans	-	-	33,708,800	32,731,351	33,708,800	32,731,351
Direct borrowing						
installment purchases	34,826,793	36,533,987	4,674,265	5,080,761	39,501,058	41,614,748
NC DST Cash Flow Loan	1,172,005	-	-	-	1,172,005	-
Financed purchases	29,450	138,808	6,573	33,437	36,023	172,245
Lease liabilities	98,596	134,334	39,159	53,605	137,755	187,939
Subscription liabilities	66,200	98,010	278,985	326,335	345,185	424,345
Compensated absences	1,935,186	1,720,261	1,229,470	1,110,738	3,164,656	2,830,999
Total OPEB liability	1,613,450	1,694,166	1,168,361	1,240,979	2,781,811	2,935,145
Net pension liability (LGRS)	9,436,281	9,337,849	6,914,011	6,841,890	16,350,292	16,179,739
Total pension liability (LEOSSA)	1,528,886	1,568,520	-	-	1,528,886	1,568,520
	<u>\$ 53,987,918</u>	<u>\$ 54,949,251</u>	<u>\$ 78,933,581</u>	<u>\$ 80,730,995</u>	<u>\$ 132,921,499</u>	<u>\$135,680,246</u>

- Total debt decreased by \$3,069,989 during fiscal year 2025 as a result of scheduled principal payments made on outstanding debt obligations. This reduction reflects the City's continued adherence to its debt service requirements, with regular payments reducing outstanding balances over the course of the fiscal year.

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 \$178,000,000.

Additional information regarding the City's long-term debt can be found in Note 2 of the Financial Statements.

Economic Factors and Next Year's Budget

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

- Henderson County's unemployment rate was 3.4% as of June 30, 2025. This was up 0.30% over FY 2024.
- The certified population estimate for the City of Hendersonville as of July 1, 2025 was 17,149.
- There are over 1,479 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.

Continued development activity and population growth are expected to support the City's tax base and demand for services in future years. While inflationary pressures and labor market conditions may continue to affect operating costs, the City's diversified revenue structure and established fund balance policies position it to manage these pressures while maintaining service levels.

Budget Highlights for the Fiscal Year Ending June 30, 2026

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, 2026 ("FY 2026") operating budget totals approximately \$68,623,860 for the City's budgeted operating funds. This is approximately \$5,802,913 or 9.2%, higher than the approximately \$62,820,947 original FY 2025 budget.

Governmental Activities

Property taxes total approximately \$17,267,500 of the FY 2026 recommended budget for the General Fund which makes up the majority of the governmental activities. The FY 2026 budget includes a \$1.4M (9%) increase over the current year revised budget. In FY 2026, the City maintained an ad valorem tax rate of \$.52 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 \$6.8M in the FY 2026 adopted budget for the General Fund. This budget amount represents an approximate \$170k (2.6%) increase over FY 2025 revised budget. We have experienced stagnant growth in recent years. The increase in the sales tax revenues reflects the City of Hendersonville receiving a larger portion of distributions due to an increase in ad valorem position relative to Henderson County and neighboring municipalities.

The budgeted fund balance appropriation in the General Fund is \$3,132,565.

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 \$26.3M (92.92%) of the total FY 2026 operating revenue budget excluding "Other Financing Sources". Other revenues sources include but are not limited to, permits and fees (6.55%), investment earnings (0.34%), and miscellaneous sources (0.18%).

Beginning January 1, 2025, the City began charging water and sewer system development fees. The adopted fees in FY 2025 are 25% of the maximum allowable fee calculated by an independent consulting firm in accordance with North Carolina General Statutes. The FY 2026 budget increases the system development fees to 50% of the maximum allowable fee.

Requests for Information

This financial report is designed to provide a general overview of the City of Hendersonville's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Hendersonville, Finance Director, 160 6th Ave East, Hendersonville, North Carolina 28792. Additional information may also be found at the City's website, <https://www.hvln.gov>.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blue Ridge ABC Board
ASSETS				
Cash and cash equivalents	\$ 7,942,322	\$ 5,408,787	\$ 13,351,109	\$ 2,022,426
Restricted cash	3,380,981	2,500,890	5,881,871	-
Receivables, net	751,306	5,373,765	6,125,071	67
Due from other governments	4,862,546	3,176,505	8,039,051	-
Interfund balances	1,195,496	(1,195,496)	-	-
Prepays	33,720	55,111	88,831	38,174
Inventories	-	1,528,317	1,528,317	1,024,552
Lease receivable	-	729,372	729,372	-
Noncurrent assets:				
Notes receivable	917,984	-	917,984	-
Capital assets:				
Land and construction in progress	6,369,347	44,401,177	50,770,524	640,091
Other capital assets, net of depreciation/amortization	58,858,980	121,557,869	180,416,849	1,203,688
Capital assets, net	65,228,327	165,959,046	231,187,373	1,843,779
Total assets	84,312,682	183,536,297	267,848,979	4,928,998
DEFERRED OUTFLOWS OF RESOURCES	5,634,360	3,992,622	9,626,982	302,239
LIABILITIES				
Accounts payable and accrued expenses	1,482,918	4,060,626	5,543,544	1,115,907
Payable from restricted assets				
Customer deposits	-	354,597	354,597	-
Accounts payable and accrued expenses	335,512	-	335,512	-
Accrued interest payable	315,494	130,456	445,950	-
Long-term liabilities:				
Due within one year	4,211,430	5,775,959	9,987,389	70,943
Due in more than one year	49,776,488	73,157,622	122,934,110	812,155
Total liabilities	56,121,842	83,479,260	139,601,102	1,999,005
DEFERRED INFLOWS OF RESOURCES	1,195,478	1,380,670	2,576,148	38,093
NET POSITION				
Net investment in capital assets	26,166,354	94,587,141	120,753,495	1,569,220
Restricted for:				
Stabilization by State Statute	6,178,311	-	6,178,311	-
USDA debt reserve	228,898	-	228,898	-
Public safety	1,883,045	-	1,883,045	-
Streets	391,110	-	391,110	-
Capital projects	103,786	-	103,786	30,629
Economic development	41,844	-	41,844	-
Working capital	-	-	-	406,599
Unrestricted (deficit)	(2,363,626)	8,081,848	5,718,222	1,187,691
Total net position	\$ 32,629,722	\$ 102,668,989	\$ 135,298,711	\$ 3,194,139

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, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Blue Ridge ABC Board
Governmental Activities:								
General government	\$ 6,598,827	\$ -	\$ 1,219,011	\$ 269,513	\$ (5,110,303)	\$ -	\$ (5,110,303)	\$ -
Public safety	16,367,360	1,156,587	-	-	(15,210,773)	-	(15,210,773)	-
Public works	2,793,452	-	1,017,422	229,612	(1,546,418)	-	(1,546,418)	-
Economic and physical development	1,342,523	-	266,608	-	(1,075,915)	-	(1,075,915)	-
Culture and recreation	1,294,014	74,193	3,000	-	(1,216,821)	-	(1,216,821)	-
Interest on long-term debt	1,085,890	-	-	-	(1,085,890)	-	(1,085,890)	-
Total governmental activities	29,482,066	1,230,780	2,506,041	499,125	(25,246,120)	-	(25,246,120)	-
Business-type Activities:								
Water and sewer	25,774,853	26,814,450	300,506	3,178,162	-	4,518,265	4,518,265	-
Parking services	1,248,576	1,153,826	2,712	-	-	(92,038)	(92,038)	-
Environmental services	1,887,495	1,816,305	18,318	27,690	-	(25,182)	(25,182)	-
Stormwater	1,309,052	1,489,191	18,541	846,314	-	1,044,994	1,044,994	-
Total business-type activities	30,219,976	31,273,772	340,077	4,052,166	-	5,446,039	5,446,039	-
Total primary government	59,702,042	32,504,552	2,846,118	4,551,291	(25,246,120)	5,446,039	(19,800,081)	-
Component unit								
Blue Ridge ABC Board	\$ 10,754,413	\$ 10,571,578	\$ -	\$ -	-	-	-	(182,835)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					17,599,091	-	17,599,091	-
Local option sales tax					7,087,913	-	7,087,913	-
Other taxes and licenses					1,794,843	-	1,794,843	-
Investment earnings, unrestricted					421,831	518,237	940,068	32,493
Loss on disposal of assets					(38,438)	(304,607)	(343,045)	-
Insurance proceeds					944,249	3,176,348	4,120,597	-
Miscellaneous, unrestricted					426,713	21,538	448,251	-
Total general revenues					28,236,202	3,411,516	31,647,718	32,493
Transfers					(347,841)	347,841	-	-
Total general revenues and transfers					27,888,361	3,759,357	31,647,718	32,493
Changes in net position excluding extraordinary items					2,642,241	9,205,396	11,847,637	(150,342)
Extraordinary items (Hurricane Helene) - Note 11					(2,164,717)	(3,802,615)	(5,967,332)	-
Changes in net position					477,524	5,402,781	5,880,305	(150,342)
Net position, beginning of year, as originally stated					32,069,386	96,545,934	128,615,320	-
Contributed capital (ABC Board)					-	-	-	3,344,481
Restatement (Note 9 and Note 10)					82,812	720,274	-	-
Net position, beginning of year, as restated					32,152,198	97,266,208	129,418,406	3,344,481
Net position, end of year					\$ 32,629,722	\$ 102,668,989	\$ 135,298,711	\$ 3,194,139

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Governmental Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,913,852	\$ -	\$ -	\$ 7,913,852
Accounts receivable, net	187,282	409,656	314	597,252
Ad valorem taxes receivable, net	133,937	-	11,043	144,980
Due from other funds	1,248,288	-	-	1,248,288
Due from other governments	3,140,213	226,891	1,495,442	4,862,546
Prepays	22,144	-	11,576	33,720
Restricted cash and investments	756,256	581,764	2,042,961	3,380,981
Notes receivable	455,484	-	462,500	917,984
Total assets	<u>\$ 13,857,456</u>	<u>\$ 1,218,311</u>	<u>\$ 4,023,836</u>	<u>\$ 19,099,603</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,289,617	\$ -	\$ 155,757	\$ 1,445,374
Due to other funds	-	-	52,792	52,792
Payable from restricted assets				
Accounts payable and accrued liabilities	-	305,870	29,642	335,512
Total liabilities	<u>1,289,617</u>	<u>305,870</u>	<u>238,191</u>	<u>1,833,678</u>
Deferred inflows of resources	<u>133,937</u>	<u>-</u>	<u>11,043</u>	<u>144,980</u>
Fund balances				
Nonspendable:				
Notes receivable	455,484	-	462,500	917,984
Prepays	22,144	-	11,576	33,720
Restricted:				
Stabilization by State statute	4,575,783	226,891	1,375,637	6,178,311
USDA debt reserve	228,898	-	-	228,898
Public safety	-	-	1,883,045	1,883,045
Streets	391,110	-	-	391,110
Economic development	-	-	41,844	41,844
Capital projects	-	103,786	-	103,786
Unspent debt proceeds	136,248	581,764	-	718,012
Committed:				
General government	-	-	-	-
Assigned:				
Subsequent year's expenditures	3,132,565	-	-	3,132,565
Unassigned	3,491,670	-	-	3,491,670
Total fund balances	<u>12,433,902</u>	<u>912,441</u>	<u>3,774,602</u>	<u>17,120,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,857,456</u>	<u>\$ 1,218,311</u>	<u>\$ 4,023,836</u>	<u>\$ 19,099,603</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

Total fund balances for governmental funds	\$ 17,120,945
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	97,895,242
Less accumulated depreciation and amortization	(32,666,915)
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	5,131,890
OPEB related deferrals	502,470
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.	144,981
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	(460,720)
OPEB deferrals	(734,758)
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	(3,281,071)
Installment obligations	(34,826,793)
NC DST Cash Flow Loan	(1,172,005)
Financed purchases	(29,450)
Lease liabilities	(98,596)
SBITA liabilities	(66,200)
Compensated absences	(1,935,186)
Total pension liability - LEOSSA	(1,528,886)
Net pension liability - LGERS	(9,436,281)
Total OPEB liability	(1,613,450)
Accrued interest payable	(315,495)
Net position of governmental activities	<u>\$ 32,629,722</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Governmental Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 17,311,255	\$ -	\$ 378,433	\$ 17,689,688
Local option sales taxes	6,662,638	-	425,275	7,087,913
Other taxes and licenses	13,455	-	-	13,455
Unrestricted intergovernmental	2,223,225	-	-	2,223,225
Restricted intergovernmental	963,870	499,125	1,453,558	2,916,553
Permits and fees	473,350	-	94,350	567,700
Sales and services	287,914	-	18,827	306,741
Investment earnings	258,140	111,700	51,928	421,768
Miscellaneous	249,956	-	17,600	267,556
Total revenues	<u>28,443,803</u>	<u>610,825</u>	<u>2,439,971</u>	<u>31,494,599</u>
Expenditures				
Current:				
General government	4,657,660	-	1,427,559	6,085,219
Public safety	14,030,524	-	251,380	14,281,904
Public works	3,713,286	-	320,901	4,034,187
Culture and recreation	-	-	207,895	207,895
Economic and physical development	-	-	1,218,594	1,218,594
Capital outlay	-	4,912,596	-	4,912,596
Debt service:				
Principal	3,003,374	-	29,430	3,032,804
Interest and fees	1,135,490	-	14,366	1,149,856
Total expenditures	<u>26,540,334</u>	<u>4,912,596</u>	<u>3,470,125</u>	<u>34,923,055</u>
Revenues over (under) expenditures	<u>1,903,469</u>	<u>(4,301,771)</u>	<u>(1,030,154)</u>	<u>(3,428,456)</u>
Other Financing Sources (Uses)				
Sale of capital assets	2,627	-	-	2,627
Insurance proceeds	120,197	409,656	414,396	944,249
Issuance of long-term obligations	-	774,700	1,172,005	1,946,705
Transfers from other funds	627,202	6,788,075	30,936	7,446,213
Transfers to other funds	(1,153,744)	(6,599,003)	-	(7,752,747)
Total other financing sources (uses)	<u>(403,718)</u>	<u>1,373,428</u>	<u>1,617,337</u>	<u>2,587,047</u>
Net changes in fund balances	<u>1,499,751</u>	<u>(2,928,343)</u>	<u>587,183</u>	<u>(841,409)</u>
Fund balance, beginning, as previously stated	11,072,165	3,840,784	3,187,419	18,100,368
Restatement (Note 9)	(138,014)	-	-	(138,014)
Fund balances, beginning of year	<u>10,934,151</u>	<u>3,840,784</u>	<u>3,187,419</u>	<u>17,962,354</u>
Fund balances, end of year	<u>\$ 12,433,902</u>	<u>\$ 912,441</u>	<u>\$ 3,774,602</u>	<u>\$ 17,120,945</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, 2025

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

Net change in fund balances--total governmental funds	\$ (841,409)
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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:

Capital outlay expenditures	4,414,932
Depreciation expense	(2,799,801)
Amortization expense	(69,111)
Net book value of capital assets disposed	(41,065)
Donations of capital assets	16,630

Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	1,805,528
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Benefit payments and administrative expenses for LEOSSA in the current fiscal year are not included on the Statement of Activities	37,642
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Benefit payments and administrative expenses for OPEB in the current fiscal year are not included on the Statement of Activities	138,688
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Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:	
Net change in ad valorem taxes receivable	(90,596)

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:

Proceeds from the issuance of debt and lease liabilities	(1,946,705)
Amortization of bond issuance premium	68,245
Repayments	3,032,800

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	(24,236)
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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:	
Compensated absences	(214,924)
Pension expense - LGERS	(2,860,030)
Pension expense - LEOSSA	(106,376)
OPEB plan expense	(38,414)
Accrued interest payable	(4,274)

Change in net position, governmental activities	<u>\$ 477,524</u>
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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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues				
Ad valorem taxes	\$ 16,487,500	\$ 17,074,020	\$ 17,311,255	\$ 237,235
Unrestricted intergovernmental	7,831,000	8,562,500	8,885,863	323,363
Other taxes and licenses	7,500	12,900	13,455	555
Restricted intergovernmental	849,920	964,417	963,870	(547)
Permits and fees	444,550	457,085	473,350	16,265
Sales and services	354,600	375,970	287,914	(88,056)
Investment earnings	175,000	206,300	258,140	51,840
Miscellaneous	31,000	249,695	249,956	261
Total revenues	<u>26,181,070</u>	<u>27,902,887</u>	<u>28,443,803</u>	<u>540,916</u>
Expenditures				
Current:				
General government	4,865,206	4,991,362	4,657,660	333,702
Public safety	14,303,298	14,299,844	14,030,524	269,320
Public works	4,353,511	4,235,155	3,713,286	521,869
Debt service:				
Principal retirement	3,011,286	3,003,752	3,003,374	378
Interest and other charges	1,086,956	1,135,490	1,135,490	-
Total expenditures	<u>27,620,257</u>	<u>27,665,603</u>	<u>26,540,334</u>	<u>1,125,269</u>
Revenues over (under) expenditures	<u>(1,439,187)</u>	<u>237,284</u>	<u>1,903,469</u>	<u>1,666,185</u>
Other Financing Sources (Uses)				
Appropriated fund balance	2,304,552	1,474,563	-	(1,474,563)
Sale of capital assets	50,000	106,371	2,627	(103,744)
Insurance proceeds	-	-	120,197	120,197
Transfers from other funds	-	627,202	627,202	-
Transfers to other funds	(915,365)	(2,445,420)	(1,153,744)	1,291,676
Total other financing sources (uses)	<u>1,439,187</u>	<u>(237,284)</u>	<u>(403,718)</u>	<u>(166,434)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,499,751</u>	<u>\$ 1,499,751</u>
Fund balance, beginning, as previously stated			11,072,165	
Prior period adjustment (Note 9)			(138,014)	
Fund balance, beginning of year			<u>10,934,151</u>	
Fund balance, end of year			<u>\$ 12,433,902</u>	

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

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Water and Sewer Fund	Parking Services Fund			
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,333,465	\$ -	\$ 75,322	\$ 5,408,787	\$ 28,470
Accounts receivable, net	4,752,154	76,713	544,898	5,373,765	9,074
Due from other governments	2,752,132	2,712	421,661	3,176,505	-
Lease receivable	729,372	-	-	729,372	-
Inventory	1,528,317	-	-	1,528,317	-
Prepays	9,412	35,699	10,000	55,111	-
Restricted cash and cash equivalents	2,473,031	1,740	26,119	2,500,890	-
Total current assets	<u>17,577,883</u>	<u>116,864</u>	<u>1,078,000</u>	<u>18,772,747</u>	<u>37,544</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable/amortizable	41,013,788	1,912,656	1,474,733	44,401,177	-
Depreciable/amortizable capital assets, net	108,806,278	10,152,886	2,598,705	121,557,869	-
Total capital assets, net	<u>149,820,066</u>	<u>12,065,542</u>	<u>4,073,438</u>	<u>165,959,046</u>	<u>-</u>
Total assets	<u>167,397,949</u>	<u>12,182,406</u>	<u>5,151,438</u>	<u>184,731,793</u>	<u>37,544</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	3,139,087	-	489,677	3,628,764	-
OPEB deferrals	320,541	-	43,317	363,858	-
Total deferred outflows of resources	<u>3,459,628</u>	<u>-</u>	<u>532,994</u>	<u>3,992,622</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,548,552	16,287	137,612	3,702,451	37,544
Accrued salaries and benefits	300,694	6,532	50,949	358,175	-
Accrued interest payable	79,925	40,212	10,319	130,456	-
Due to the other funds	-	602,344	593,152	1,195,496	-
Compensated absences, current	599,970	10,195	68,756	678,921	-
Current portion of long-term debt	4,281,484	579,105	236,449	5,097,038	-
Payable from restricted assets:					
Customer deposits	353,522	1,075	-	354,597	-
Total current liabilities	<u>9,164,147</u>	<u>1,255,750</u>	<u>1,097,237</u>	<u>11,517,134</u>	<u>37,544</u>
Noncurrent liabilities:					
Compensated absences, net of current portion	481,800	9,231	59,520	550,551	-
Net pension liability - LGERS	5,981,012	-	932,999	6,914,011	-
Total OPEB liability	1,029,270	-	139,090	1,168,360	-
Long-term debt, net of current portion	53,215,307	10,414,853	894,540	64,524,700	-
Total noncurrent liabilities	<u>60,707,389</u>	<u>10,424,084</u>	<u>2,026,149</u>	<u>73,157,622</u>	<u>-</u>
Total liabilities	<u>69,871,536</u>	<u>11,679,834</u>	<u>3,123,386</u>	<u>84,674,756</u>	<u>37,544</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	168,216	-	26,241	194,457	-
OPEB deferrals	468,726	-	63,343	532,069	-
Leases	654,144	-	-	654,144	-
Total deferred inflows of resources	<u>1,291,086</u>	<u>-</u>	<u>89,584</u>	<u>1,380,670</u>	<u>-</u>
Net investment in capital assets	90,573,108	1,071,584	2,942,449	94,587,141	-
Unrestricted (deficit)	9,121,847	(569,012)	(470,987)	8,081,848	-
Total net position (deficit)	<u>\$ 99,694,955</u>	<u>\$ 502,572</u>	<u>\$ 2,471,462</u>	<u>\$102,668,989</u>	<u>\$ -</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, 2025

	Major Enterprise Funds				
	Water and Sewer Fund	Parking Services Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 25,912,587	\$ 1,153,826	\$ 3,305,496	\$ 30,371,909	\$ 120,000
Other operating revenue	901,863	-	-	901,863	5,793
Total operating revenues	<u>26,814,450</u>	<u>1,153,826</u>	<u>3,305,496</u>	<u>31,273,772</u>	<u>125,793</u>
OPERATING EXPENSES					
Operations	19,646,891	572,088	2,927,227	23,146,206	128,636
Depreciation and amortization	4,897,579	432,664	229,778	5,560,021	-
Total operating expenses	<u>24,544,470</u>	<u>1,004,752</u>	<u>3,157,005</u>	<u>28,706,227</u>	<u>128,636</u>
Operating income (loss)	<u>2,269,980</u>	<u>149,074</u>	<u>148,491</u>	<u>2,567,545</u>	<u>(2,843)</u>
NONOPERATING REVENUES AND EXPENSES					
Interest income	511,529	3,442	3,266	518,237	19,914
Lease revenue	21,538	-	-	21,538	-
FEMA grant	300,506	2,712	36,859	340,077	-
Sale of capital assets	(389,607)	-	85,000	(304,607)	-
Insurance proceeds	3,110,775	19,079	46,494	3,176,348	-
Debt issuance costs	(143,367)	-	-	(143,367)	-
Interest expense	(1,087,016)	(243,824)	(39,542)	(1,370,382)	-
Total nonoperating revenue (expense), net	<u>2,324,358</u>	<u>(218,591)</u>	<u>132,077</u>	<u>2,237,844</u>	<u>19,914</u>
Income (loss) before transfers and contributions	<u>4,594,338</u>	<u>(69,517)</u>	<u>280,568</u>	<u>4,805,389</u>	<u>17,071</u>
TRANSFERS AND CONTRIBUTIONS					
Transfer to other funds	(2,380,613)	-	-	(2,380,613)	(41,307)
Transfers from other funds	2,401,859	194,340	132,255	2,728,454	-
Capital contributions	3,178,162	-	874,004	4,052,166	-
Total transfers and contributions, net	<u>3,199,408</u>	<u>194,340</u>	<u>1,006,259</u>	<u>4,400,007</u>	<u>(41,307)</u>
Change in net position before extraordinary item	<u>7,793,746</u>	<u>124,823</u>	<u>1,286,827</u>	<u>9,205,396</u>	<u>(24,236)</u>
Extraordinary item (Note 11)	<u>(3,802,615)</u>	<u>-</u>	<u>-</u>	<u>(3,802,615)</u>	<u>-</u>
Change in net position	<u>3,991,131</u>	<u>124,823</u>	<u>1,286,827</u>	<u>5,402,781</u>	<u>(24,236)</u>
Net position, beginning of year, as previously stated	94,964,816	379,349	1,201,769	96,545,934	24,236
Restatement (Note 9 and Note 10)	739,008	(1,600)	(17,134)	720,274	(18,734)
Net position, restated	<u>95,703,824</u>	<u>377,749</u>	<u>1,184,635</u>	<u>97,266,208</u>	<u>5,502</u>
Net position, end of year	<u>\$ 99,694,955</u>	<u>\$ 502,572</u>	<u>\$ 2,471,462</u>	<u>\$ 102,668,989</u>	<u>\$ (18,734)</u>

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

STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Water and Sewer Fund	Parking Services Fund			
Cash flows from operating activities:					
Cash received from customers	\$ 25,231,643	\$ 1,134,342	\$ 3,178,312	\$ 29,544,297	\$ 116,719
Cash paid for goods and services	(8,107,928)	(299,397)	(1,070,922)	(9,478,247)	(131,305)
Cash paid to employees	(12,620,438)	(276,234)	(2,397,829)	(15,294,501)	-
Net cash provided (used) by operating activities	4,503,277	558,711	(290,439)	4,771,549	(14,586)
Cash flows from noncapital financing activities:					
Change in interfund balances	1,545,991	30,905	29,221	1,606,117	-
Non-capital grants	300,506	2,712	36,859	340,077	-
Transfers to other funds, net	21,246	194,340	132,255	347,841	(41,307)
Net cash provided by noncapital financing activities	1,867,743	227,957	198,335	2,294,035	(41,307)
Cash flows from capital and related financing activities:					
Insurance proceeds	3,110,775	19,079	46,494	3,176,348	-
Proceeds on sale of assets	-	-	85,000	85,000	-
Capital contributions	1,863,323	-	529,785	2,393,108	-
Cash received from lease agreement	21,538	-	-	21,538	-
Acquisition and construction of capital assets	(11,455,279)	-	(629,731)	(12,085,010)	-
Proceeds from issuance of long-term debt	3,045,357	-	50,000	3,095,357	-
Cost of debt issuance	(143,367)	-	-	(143,367)	-
Principal retirement	(4,217,532)	(410,000)	(231,536)	(4,859,068)	-
Interest paid on long-term debt	(1,116,219)	(397,449)	(40,627)	(1,554,295)	-
Net cash used by capital and related financing activities	(8,891,404)	(788,370)	(190,615)	(9,870,389)	-
Cash flows from investing activities:					
Proceeds from sales (purchases of) investments, net	1,527,020	-	980	1,528,000	-
Interest on investments	511,529	3,442	3,266	518,237	19,914
Net cash provided by investing activities	2,038,549	3,442	4,246	2,046,237	19,914
Cash used by extraordinary item	(3,802,615)	-	-	(3,802,615)	-
Net increase (decrease) in cash and cash equivalents	(4,284,450)	1,740	(278,473)	(4,561,183)	(35,979)
Cash and cash equivalents, beginning of year	12,090,946	-	379,914	12,470,860	64,449
Cash and cash equivalents, end of year	<u>\$ 7,806,496</u>	<u>\$ 1,740</u>	<u>\$ 101,441</u>	<u>\$ 7,909,677</u>	<u>\$ 28,470</u>
Classified as:					
Cash and cash equivalents	\$ 5,333,465	\$ -	\$ 75,322	\$ 5,408,787	\$ 28,470
Restricted cash and cash equivalents	2,473,031	1,740	26,119	2,500,890	-
	<u>\$ 7,806,496</u>	<u>\$ 1,740</u>	<u>\$ 101,441</u>	<u>\$ 7,909,677</u>	<u>\$ 28,470</u>

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

STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	<u>Major Enterprise Funds</u>		<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Parking Services Fund</u>			
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 2,269,979	\$ 149,074	\$ 148,491	\$ 2,567,544	\$ (2,843)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	4,897,579	432,664	229,778	5,560,021	-
Lease adjustment	(18,000)	-	-	(18,000)	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,528,530)	(19,484)	(127,183)	(1,675,197)	(9,074)
(Increase) decrease in due from other governments	(689,128)	(2,712)	(79,343)	(771,183)	-
(Increase) decrease in inventories	(5,012)	-	-	(5,012)	-
(Increase) decrease in prepaids	31,592	(6,480)	50,120	75,232	-
(Increase) decrease in deferred outflows of resources for pensions	498,419	-	77,750	576,169	-
(Increase) decrease in deferred outflows of resources for OPEB	47,803	-	14,080	61,883	-
Increase (decrease) in accounts payable and accrued liabilities	(1,118,948)	(6,172)	(602,951)	(1,728,071)	(2,669)
Increase (decrease) in customer deposits	(36,276)	-	-	(36,276)	-
Increase (decrease) in compensated absences	87,470	11,821	19,442	118,733	-
Increase (decrease) in net pension liability - LGERS	62,389	-	9,732	72,121	-
Increase (decrease) in OPEB liability	(44,406)	-	(28,213)	(72,619)	-
Increase (decrease) in deferred inflows of resources - pensions	107,571	-	16,781	124,352	-
Increase (decrease) in deferred inflows of resources - OPEB	(59,225)	-	(18,923)	(78,148)	-
Total adjustment	<u>2,233,298</u>	<u>409,637</u>	<u>(438,930)</u>	<u>2,204,005</u>	<u>(11,743)</u>
Net cash provided (used) by operating activities	<u>\$ 4,503,277</u>	<u>\$ 558,711</u>	<u>\$ (290,439)</u>	<u>\$ 4,771,549</u>	<u>\$ (14,586)</u>
Noncash Capital and Related Financing Activities					
Donations of capital assets	<u>\$ 1,314,839</u>	<u>\$ -</u>	<u>\$ 344,219</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, 2025

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 239,568
Accounts receivable	468,813
Total assets	<u>708,381</u>
Liabilities	
Due to others	<u>708,381</u>
Net Position	
Restricted for:	
Individuals, organizations, and other governments	-
Total net position	<u><u>\$ -</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, 2025

	<u>Custodial Fund</u>
Additions	
Sewer and stormwater billing collections	\$ 2,632,423
Deductions	
Payments to other governments and entities	<u>2,632,423</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, 2025

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 Blue Ridge Alcoholic Beverage Control Board (the “ABC Board”). Members of the ABC Board’s governing body are appointed by the City of Hendersonville and Town of Laurel Park. The ABC Board is required by State statute to distribute a portion of its surpluses to the General Fund of the City. The remainder is distributed to Town of Laurel Park, Henderson County, the Henderson County Board of Public Education, and the Henderson County Public Library. 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, 2025:

☐ **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.

☐ **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, 2025:

☐ **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 Governmental Funds**

The non-major governmental funds consist of the Grant Fund, which 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, and the Hurricane Helene Fund, which accounts for the receipt and disbursement of resources related to response, recovery, and remediation activities associated with Hurricane Helene.

☐ **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 custodial 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, 2025, 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	\$ 228,898
General Fund - Powell Bill funds	391,110
Main Street Tax District Fund	3,248
Seventh Avenue Tax District Fund	47,026
Special Revenue Fund	278,826
Grant Fund - unspent grant proceeds	1,713,861
Governmental Capital Projects Fund - Unspent debt proceeds	581,764
General Fund - Unspent debt proceeds	136,248
Total governmental activities	<u>3,380,981</u>

Business-type activities:

Water and Sewer Fund - customer deposits	353,522
Water and Sewer Fund - capital projects	868,263
Parking Services Fund - customer deposits	1,740
Stormwater Fund	26,119
Water and Sewer Fund - Unspent debt proceeds	1,251,246
Total business-type activities	<u>2,500,890</u>

Total Primary Government	<u><u>\$ 5,881,871</u></u>
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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, 2024.

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. In accordance with GASB Statement No. 101 for the City's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the City.

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 Streets – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
- Restricted for 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 Unspent debt proceeds – portion of fund balance that is restricted to the purpose for which the debt was issued.

☐ **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, 2025 are summarized as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 13,351,109
Restricted cash and cash equivalents	5,881,871
Statement of Fiduciary Net Position	239,568
	<u>\$ 19,472,548</u>
Cash deposited with financial institution	\$ 5,506,673
Cash equivalents held by NCCMT	9,452,570
Investments	4,507,990
Petty cash	5,315
	<u>\$ 19,472,548</u>

At June 30, 2025, the City's deposits had a carrying amount of \$5,506,673 and a bank balance of \$5,494,266. Of the bank balance, \$1,206,390 was covered by federal depository insurance and the remainder by collateral held under the Pooling Method.

At June 30, 2025, the City had \$5,315 cash on hand.

At June 30, 2025, the ABC Board's deposits had a carrying amount of \$2,012,851 and a bank balance of \$2,067,938. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method.

At June 30, 2025, the ABC Board had \$9,575 cash on hand.

ii. Investments:

As of June 30, 2025, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Maturity Date	Rating
Federal Home Loan Banks (FHLB) Callable Bonds	Fair Value-Level 2	\$ 490,670	3/24/2026	AA+
US Treasury Note	Fair Value-Level 1	1,009,220	9/30/2027	AAA
US Treasury Note	Fair Value-Level 1	998,800	2/15/2026	AAA
US Treasury Note	Fair Value-Level 1	1,000,590	11/15/2025	AAA
US Treasury Note	Fair Value-Level 1	<u>1,008,710</u>	6/30/2028	AAA
Total investments		<u>\$ 4,507,990</u>		
North Carolina Capital Management Trust - Government Portfolio	Fair Value-Level 1	<u>\$ 9,452,570</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, 2025 were as follows:

	General	Internal Service Funds	Capital Projects	Nonmajor Governmental	Total Governmental
Receivables					
Taxes	\$ 169,892	\$ -	\$ -	\$ 13,932	\$ 183,824
Notes	455,484	-	-	462,500	917,984
Accounts	344,225	9,074	409,656	314	763,269
Due from other governments	3,140,213		226,891	1,495,442	4,862,546
Less: allowance for uncollectible accounts	(192,898)	-	-	(2,889)	(195,787)
Net receivables	<u>\$ 3,916,916</u>	<u>\$ 9,074</u>	<u>\$ 636,547</u>	<u>\$ 1,969,299</u>	<u>\$ 6,531,836</u>

	Water and Sewer	Parking Services	Nonmajor Enterprise	Total Business-Type
Receivables				
Accounts	\$ 5,303,907	\$ 295,319	651,557	\$ 6,250,783
Leases	729,372	-	-	729,372
Due from other governments	2,752,132	2,712	421,661	3,176,505
Less: allowance for uncollectible accounts	(551,753)	(218,606)	(106,659)	(877,018)
Net receivables	<u>\$ 8,233,658</u>	<u>\$ 79,425</u>	<u>\$ 966,559</u>	<u>\$ 9,279,642</u>

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

	Governmental Activities	Business-Type Activities
Local option sales tax	\$ 1,996,283	\$ -
Sales tax refunds	734,697	-
Utility sales taxes	353,445	-
SRF loan proceeds	-	1,657,837
Fed/State grants	1,611,932	1,518,668
Other	166,189	-
Total	<u>\$ 4,862,546</u>	<u>\$ 3,176,505</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, 2025, is \$62,500.

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, 2025, 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, 2025, 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, 2025, 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 \$22,475 in interest revenue related to the lease. As of June 30, 2025, the City's receivable for lease payments was \$729,372, 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 \$654,144 as of June 30, 2025.

iv. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 4,779,095	\$ 8,357	\$ -	\$ 4,787,452
Construction in progress	21,187,870	3,331,010	22,936,985	1,581,895
Total capital assets, not being depreciated	25,966,965	3,339,367	22,936,985	6,369,347
Depreciable Assets:				
Buildings and improvements	26,080,599	19,814,170	-	45,894,769
Other improvements	7,481,411	52,642	-	7,534,053
Machinery and equipment	13,950,135	1,053,374	218,132	14,785,377
Software	129,170	-	-	129,170
Infrastructure	19,729,107	3,108,994	-	22,838,101
Total capital assets, being depreciated	67,370,422	24,029,180	218,132	91,181,470
Less Accumulated Depreciation:				
Buildings and improvements	7,419,537	885,869	-	8,305,406
Other improvements	4,073,176	222,346	-	4,295,522
Machinery and equipment	6,814,522	1,111,537	177,067	7,748,992
Software	129,170	-	-	129,170
Infrastructure	11,443,971	580,049	-	12,024,020
Total accumulated depreciation	29,880,376	2,799,801	177,067	32,503,110
Amortizable Assets:				
Right-to-use lease asset (equipment)	180,996	-	-	180,996
Right-to-use subscription assets	163,429	-	-	163,429
Total capital assets, being amortized	344,425	-	-	344,425
Less Accumulated Amortization:				
Right-to-use lease asset (equipment)	34,283	36,425	-	70,708
Right-to-use subscription assets	60,411	32,686	-	93,097
Total accumulated amortization	94,694	69,111	-	163,805
Governmental capital asset activities, net	<u>\$ 63,706,742</u>			<u>\$ 65,228,327</u>

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

Governmental Activities:

General government	\$ 442,342
Public safety	1,363,643
Transportation	703,220
Economic and physical development	18,050
Cultural and recreation	272,546
Total	<u>\$ 2,799,801</u>

	Restated Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Water and Sewer Fund					
Non-Depreciable Assets:					
Land	\$ 5,103,463	\$ 164,475	\$ -	\$ -	\$ 5,267,938
Construction in progress	37,765,939	9,045,810	11,065,900	-	35,745,849
Total capital assets, not being depreciated	42,869,402	9,210,285	11,065,900	-	41,013,787
Depreciable Assets:					
Buildings	1,944,239	206,999	-	-	2,151,238
Plant and distribution systems	149,598,125	11,592,445	-	64,929	161,255,499
Machinery and equipment	22,135,609	2,826,289	836,989	-	24,124,909
Other improvements	217,835	-	-	-	217,835
Software	86,178	-	-	-	86,178
Total capital assets, being depreciated	173,981,986	14,625,733	836,989	64,929	187,835,659
Less Accumulated Depreciation:					
Buildings	1,064,616	69,398	-	-	1,134,014
Plant and distribution systems	54,962,849	3,826,352	-	-	58,789,201
Machinery and equipment	18,690,889	903,174	443,991	(64,929)	19,215,001
Other improvements	87,301	24,813	-	-	112,114
Software	71,778	-	-	-	71,778
Total accumulated depreciation	74,877,433	4,823,737	443,991	(64,929)	79,322,108
Amortizable Assets:					
Right-to-use lease asset (equipment)	72,464	-	-	-	72,464
Right-to-use subscription assets	422,470	-	-	-	422,470
Total capital assets, being amortized	494,934	-	-	-	494,934
Less Accumulated Amortization:					
Right-to-use lease asset (equipment)	20,294	14,719	-	-	35,013
Right-to-use subscription assets	111,462	55,731	-	-	167,193
Total accumulated amortization	131,756	70,450	-	-	202,206
Water and sewer capital asset activities, net	<u>\$ 142,337,133</u>				<u>\$ 149,820,066</u>

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Parking Services Fund					
Non-Depreciable Assets:					
Land	\$ 1,912,656	\$ -	\$ -	\$ -	\$ 1,912,656
Total capital assets, not being depreciated	1,912,656	-	-	-	1,912,656
Depreciable Assets:					
Buildings and improvements	10,736,359	-	-	-	10,736,359
Machinery and equipment	410,467	-	-	-	410,467
Total capital assets, being depreciated	11,146,826	-	-	-	11,146,826
Less Accumulated Depreciation:					
Buildings and improvements	477,172	357,879	-	-	835,051
Machinery and equipment	84,103	74,786	-	-	158,889
Total accumulated depreciation	561,275	432,665	-	-	993,940
Parking Services capital asset activities, net	<u>\$ 12,498,207</u>				<u>\$ 12,065,542</u>
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Environmental Services Fund					
Non-Depreciable Assets:					
Land	\$ 11,134	\$ -	\$ -	\$ -	\$ 11,134
Depreciable Assets:					
Machinery and equipment	2,791,928	238,054	271,811	-	2,758,171
Total capital assets, being depreciated	2,803,062	238,054	271,811	-	2,769,305
Less Accumulated Depreciation:					
Machinery and equipment	1,902,090	135,721	271,811	-	1,766,000
Total accumulated depreciation	1,902,090	135,721	271,811	-	1,766,000
Environmental Services capital asset activities, net	<u>\$ 900,972</u>				<u>\$ 1,003,305</u>

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Stormwater Fund					
Non-Depreciable Assets:					
Land	\$ 518,278	\$ 344,219	\$ -	\$ -	\$ 862,497
Construction in progress	928,565	353,297	680,760	-	601,102
Total capital assets, not being depreciated	1,446,843	697,516	680,760	-	1,463,599
Depreciable Assets:					
Buildings and improvements	533,366	430,760	-	-	964,126
Other improvements	584,272	38,378	-	-	622,650
Machinery and equipment	153,995	250,000	-	-	403,995
Total capital assets, being depreciated	1,271,633	719,138	-	-	1,990,771
Less Accumulated Depreciation:					
Buildings and improvements	100,178	18,850	-	-	119,028
Other improvements	160,961	57,968	-	-	218,929
Machinery and equipment	29,043	17,237	-	-	46,280
Total accumulated depreciation	290,182	94,055	-	-	384,237
Stormwater capital asset activities, net	<u>\$ 2,428,294</u>				<u>\$ 3,070,133</u>

Ongoing construction in progress in the City's governmental activities is primarily related to Clear Creek Greenway, Fire Station #3, and City Hall Exterior Project. The City had remaining commitments on these projects in the amount of approximately \$11,600,000 as of June 30, 2025.

Ongoing construction in progress in the City's business-type activities is primarily related to the French Broad River Intake, Bio-Solids Dryer, WTP 15 MGD Expansion, WWTP 6MGD Expansion. The City had remaining commitments on these projects in the amount of approximately \$71,500,000 as of June 30, 2025.

B. Deferred Outflows of Resources

Deferred outflows of resources at the government-wide level at June 30, 2025 were as follows:

Source	Governmental	Business-Type	Total
	Activities	Activities	
Contributions to LGERS pension in current year	\$ (1,805,528)	\$ 4,933,976	\$ 3,128,448
LEOSSA benefit payments and admin expenses paid after December 31, 2024	37,642	-	37,642
Pension deferrals (LGERS)	6,758,087	(1,305,212)	5,452,875
Pension deferrals (LEOSSA)	141,690	-	141,690
OPEB benefit payments and admin costs paid in current year	(138,688)	377,806	239,118
OPEB deferrals	641,157	(13,948)	627,209
Total	<u>\$ 5,634,360</u>	<u>\$ 3,992,622</u>	<u>\$ 9,626,982</u>

C. Liabilities**i. Payables**

Payables at the government-wide level at June 30, 2025 were as follows:

	Accounts Payable	Retainage Payable	Salaries and Benefits	Total
Governmental Activities				
General Fund	\$ 884,294	\$ -	\$ 405,323	\$ 1,289,617
Governmental Capital Project Fund	302,975	2,895	-	305,870
Internal Service Fund	37,544	-	-	37,544
Nonmajor Governmental Funds	169,678	-	15,721	185,399
Total governmental activities	<u>\$ 1,394,491</u>	<u>\$ 2,895</u>	<u>\$ 421,044</u>	<u>\$ 1,818,430</u>
Business-type Activities				
Water and Sewer Fund	\$ 3,069,730	\$ 478,822	\$ 300,694	\$ 3,849,246
Parking Services Fund	16,287	-	6,532	22,819
Nonmajor Enterprise Funds	137,612	-	50,949	188,561
Total governmental activities	<u>\$ 3,223,629</u>	<u>\$ 478,822</u>	<u>\$ 358,175</u>	<u>\$ 4,060,626</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.

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, 2025 was 15.04% of compensation for law enforcement officers and 13.63% 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 \$3,128,448 for the year ended June 30, 2025.

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, 2025, the City reported a liability of \$16,350,292 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 (measured

June 30, 2024), the City's proportion was 0.24253%, which was a decrease of .00176% from its proportion as of June 30, 2024 (measured as of June 30, 2023). For the year ended June 30, 2024, the City recognized pension expense of \$4,995,596.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,865,190	\$ 19,264
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,222,813	-
Changes in proportion and differences between City contributions and proportionate share of contributions	364,872	440,589
City contributions subsequent to the measurement date	3,128,448	-
Total	<u>\$ 8,581,323</u>	<u>\$ 459,853</u>

\$3,128,448 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	\$ 1,652,596
2027	3,162,582
2028	429,180
2029	(251,336)
Total	<u>\$ 4,993,022</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 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, 2023 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 28,973,196	\$ 16,350,292	\$ 5,966,217

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, 2024 (valuation date), the Separation Allowance's membership consisted of:

Inactive members receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	49
Total	54

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, 2024 valuation. The total pension liability in the June 30, 2024 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	4.28%

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, 2024 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 \$121,696 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, 2025, the City reported a total pension liability of \$1,528,886. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$106,376.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,166	\$ 20,441
Changes of assumptions and other inputs	106,524	174,883
Benefits payments and administrative expenses made subsequent to the measurement date	37,642	-
Total	<u>\$ 179,332</u>	<u>\$ 195,324</u>

\$37,642 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	\$ 15,050
2027	(41,989)
2028	(16,964)
2029	(4,086)
2030	(5,645)
Total	<u>\$ (53,634)</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 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	<u>\$ 1,664,302</u>	<u>\$ 1,528,886</u>	<u>\$ 1,407,341</u>

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

Total pension liability as of December 31, 2023	\$ 1,568,520
Service cost	87,147
Interest on the total pension liability	56,995
Changes of benefit terms	-
Difference between expected and actual experience	8,281
Changes of assumptions or other inputs	(70,361)
Benefit payments	(121,696)
Total pension liability as of December 31, 2024	<u>\$ 1,528,886</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, 2024 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 \$157,992 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 3% of annual gross pay. The City contributed \$205,736 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)	\$16,350,292	N/A	\$16,350,292
Proportion of the net pension liability (asset)	0.2425%	N/A	N/A
Total pension liability	N/A	\$1,528,886	1,528,886
Pension expense	4,995,596	106,376	5,101,972

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 2,865,190	\$ 35,166	\$ 2,900,356
Changes of assumptions	-	106,524	106,524
Net difference between projected and actual earnings on pension plan investments	2,222,813	-	2,222,813
Changes in proportion and differences between City contributions and proportionate share of contributions	364,872	-	364,872
City contributions (LGERS)/ benefit payments (LEOSSA) made subsequent to the measurement date	<u>3,128,448</u>	<u>37,642</u>	<u>3,166,090</u>
Total	<u>\$ 8,581,323</u>	<u>\$ 179,332</u>	<u>\$ 8,760,655</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 19,264	\$ 20,441	\$ 39,705
Changes of assumptions	-	174,883	174,883
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>440,589</u>	<u>-</u>	<u>440,589</u>
Total	<u>\$ 459,853</u>	<u>\$ 195,324</u>	<u>\$ 655,177</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	253
Total	270

Contributions. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. For the fiscal year ended June 30, 2025, the monthly premium for retirees was \$1,127 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, 2025, the City made contributions/benefit payments of \$239,118. 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 \$2,781,811 as of June 30, 2025 was measured as of June 30, 2024, 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, 2023	\$ 2,935,145
Service cost	109,256
Interest	106,729
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	(29,011)
Benefit payments	(340,308)
Total OPEB liability as of June 30, 2024	<u>\$ 2,781,811</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69 percent to 3.97 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 (2.97 percent) or 1-percentage-point higher (4.97 percent) than the current discount rate:

	1% Decrease (2.97%)	Discount Rate (3.97%)	1% Increase (4.97%)
Total OPEB liability	\$ 3,042,795	\$ 2,781,811	\$ 2,553,508

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	\$ 2,530,263	\$ 2,781,811	\$ 3,086,172

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$66,231. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 274,281	\$ 763,629
Changes of assumptions or other inputs	352,929	503,198
Benefit payments and administrative costs paid subsequent to the measurement date	239,118	-
Total	<u>\$ 866,328</u>	<u>\$ 1,266,827</u>

\$239,118 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2026	\$ (35,446)
2027	(35,446)
2028	(28,721)
2029	(100,776)
2030	(176,039)
Thereafter	(263,189)
Total	<u>\$ (639,617)</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, 2025, 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. As of year-end, the value of the lease liability is \$78,320. 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 \$70,026. 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 \$59,437. 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 \$49,804.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 36,666	\$ 2,100	\$ 38,766
2027	37,619	1,148	38,767
2028	24,311	224	24,535
Total	<u>\$ 98,596</u>	<u>\$ 3,472</u>	<u>\$ 102,068</u>

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2026	\$ 14,838	\$ 869	\$ 15,707
2027	15,241	466	15,707
2028	9,080	81	9,161
Total	<u>\$ 39,159</u>	<u>\$ 1,416</u>	<u>\$ 40,575</u>

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

As of June 30, 2025, City of Hendersonville, NC had 2 active subscriptions. The subscriptions have payments that range from \$34,438 to \$54,478 and interest rates that range from 2.1840% to 2.6820%. As of June 30, 2025, the total combined value of the subscription liability is \$345,185, and the total combined value of the short-term subscription liability is \$82,681. The combined value of the right to use asset, as of June 30, 2025 of \$585,896 with accumulated amortization of \$246,181.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 32,662	\$ 1,776	\$ 34,438
2027	33,538	900	34,438
Total	<u>\$ 66,200</u>	<u>\$ 2,676</u>	<u>\$ 68,876</u>

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2026	\$ 50,019	\$ 6,093	\$ 56,112
2027	52,795	5,001	57,796
2028	55,682	3,848	59,530
2029	58,684	2,631	61,315
2030	61,805	1,350	63,155
Total	<u>\$ 278,985</u>	<u>\$ 18,923</u>	<u>\$ 297,908</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.	\$ 2,400,000
\$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.	332,264
\$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%).	712,683
\$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%).	573,974
\$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.	140,239
\$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.	590,125

\$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%).	312,994
\$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.	10,648,574
\$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%).	5,671,000
\$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.	295,173
\$570,000 Installment Purchase Contract with Hometrust Bank issued in August 2024, due in annual installments of \$79,526 beginning June 1, 2025 through December 1, 2028, plus interest at 4.49% due semi-annually. The proceeds of this issue were used to purchase vehicles for the City's use.	509,881
\$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.	158,451
\$254,700 Installment Purchase Contract with HomeTrust issued in January 2025, due in annual installments of \$43,128.11 beginning January 30, 2026 through January 30, 2032, plus interest of 4.44% due annually. The proceeds of this issue were used for purchase of a Pothole Patcher for the City's use.	254,700
\$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.	16,901,000
Total outstanding installment purchase contracts	<u>\$ 39,501,058</u>

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 2,539,408	\$ 926,319	\$ 3,465,727	\$ 488,593	\$ 149,678	\$ 638,271
2027	2,402,050	854,695	3,256,745	485,521	135,295	620,816
2028	2,146,793	787,964	2,934,757	414,800	120,680	535,480
2029	1,991,397	728,723	2,720,120	406,444	107,717	514,161
2030	1,942,687	674,441	2,617,128	346,567	95,203	441,770
2031-2035	8,755,739	2,617,544	11,373,283	1,551,208	316,539	1,867,747
2036-2040	7,097,586	1,509,726	8,607,312	981,132	66,063	1,047,195
2041-2045	4,586,298	642,573	5,228,871	-	-	-
2046-2050	2,352,478	459,747	2,812,225	-	-	-
2051-2055	1,012,357	32,380	1,044,737	-	-	-
Total	<u>\$ 34,826,793</u>	<u>\$ 9,234,112</u>	<u>\$ 44,060,905</u>	<u>\$ 4,674,265</u>	<u>\$ 991,175</u>	<u>\$ 5,665,440</u>

☐ **NC DST Cash Flow Loan**

In March 2025, the City of Hendersonville entered into a cashflow loan agreement with the State of North Carolina through the Department of State Treasurer under the Disaster Recovery Act of 2024. The agreement provides a principal-only loan of \$1,172,005 to fund disaster response activities related to Hurricane Helene. The loan bears no interest or administrative fees and is scheduled for repayment as follows: \$1 by the first anniversary of the loan date; 10% on June 30, 2027; 20% on June 30, 2028; 30% on June 30, 2029; and the remaining 40% (less \$1) on the earlier of the fifth anniversary or June 30, 2030. Loan proceeds are to be repaid earlier if the City receives reimbursement from federal disaster assistance or insurance proceeds.

☐ **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, 2025, the outstanding balance of these bonds is \$238,000.

☐ **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, 2025, the outstanding balance of the portion of these bonds allocated to governmental activities is \$2,665,000.

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

Year Ending June 30	Principal	Interest	Total
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	230,000	69,750	299,750
2031-2035	1,015,000	188,450	1,203,450
2036-2040	425,000	51,000	476,000
2041-2045	85,000	2,550	87,550
Total	<u>\$ 2,903,000</u>	<u>\$ 711,666</u>	<u>\$ 3,614,666</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, 2025, the outstanding balance of these bonds is \$6,001,000.

\$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, 2025, the outstanding balance of these bonds is \$6,000,000.

\$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, 2025, the outstanding balance of these bonds is \$7,919,000.

☐ **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, 2025, the outstanding balance of the portion of these bonds allocated to the Parking Services Fund is \$9,785,000.

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

Year Ending June 30	Principal	Interest	Total
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	1,727,000	698,152	2,425,152
2031-2035	8,963,000	2,619,665	11,582,665
2036-2040	8,137,000	1,285,122	9,422,122
2041-2045	2,956,000	174,361	3,130,361
Total	<u>\$ 29,705,000</u>	<u>\$ 8,146,455</u>	<u>\$ 37,851,455</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, 2025, is shown in the table below:

Revenues (1)	\$ 26,814,450
Current expenses (2)	19,646,891
Surplus Fund (3)	12,215,923
Principal and interest on revenue bond	2,437,131
Principal and interest on other indebtedness	2,826,485
 (a) Revenues plus 20% of Surplus Fund	 <u>\$ 29,257,635</u>
 (a)(i) 100% of current expenses	 19,646,891
(a)(ii) 120% of annual principal and interest on revenue bonds	2,924,557
(a)(iii) 100% of annual principal and interest on other indebtedness	2,826,485
	<u>25,397,933</u>
Covenant met	<u><u>\$ 3,859,701</u></u>
 (b) Revenues	 <u>\$ 26,814,450</u>
 (a)(i) 100% of current expenses	 19,646,891
(a)(ii) 110% of annual principal and interest on revenue bonds	2,680,844
(a)(iii) 100% of annual principal and interest on other indebtedness	2,826,485
	<u>25,154,220</u>
Covenant met	<u><u>\$ 1,660,230</u></u>

- (1) Operating revenues of the Water and Sewer Fund.
(2) This does not include depreciation and amortization expense.
(3) This is the June 30, 2024 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.

\$ 171,534

\$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.

907,500

\$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.

2,170,300

\$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.	1,392,481
\$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.	2,368,674
\$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.	4,296,746
\$24,514,035 approved State Revolving Loan of which only \$22,290,882 has been drawn down through June 2025. 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.	20,743,729
\$873,420, including \$344,052 of principal forgiveness, approved State Revolving Loan of which only \$46,179 has been drawn down through June 2025. Once fully drawn down, the loan will be due in annual installments of \$45,874 beginning on May 1, 2026 through May 1, 2030, with no interest. The proceeds of this issue are being used for the Lead Service Line project.	46,179
\$1,570,995 approved State Revolving Loan of which only \$957,372 has been drawn down through June 2025. Once fully drawn down, the loan will be due in annual installments of \$78,550 beginning on May 1, 2027 through May 1, 2046, plus interest at 1.10% due semi-annually. The proceeds of this issue are being used for the Ashe & 4th Sewer project.	957,372
\$2,943,934 approved State Revolving Loan of which only \$654,286 has been drawn down through June 2025. Once fully drawn down, the loan will be due in annual installments of \$147,197 beginning on May 1, 2027 through May 1, 2046, plus interest at 1.10% due semi-annually. The proceeds of this issue are being used for the Ashe & 4th Water project.	654,285
Total outstanding state revolving loans	<u>\$ 33,708,800</u>

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

Year Ending June 30	Principal	Interest	Total
2026	\$ 2,098,910	\$ 378,828	\$ 2,477,738
2027	2,148,796	353,648	2,502,444
2028	2,148,490	328,468	2,476,958
2029	2,148,490	303,288	2,451,778
2030	2,148,490	278,108	2,426,598
2031-2035	10,628,096	1,017,096	11,645,192
2036-2040	8,364,367	494,018	8,858,385
2041-2045	3,927,706	125,576	4,053,282
2046	95,455	-	95,455
Total	\$ 33,708,800	\$ 3,279,030	\$ 36,987,830

☐ **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:

Year Ending June 30	Governmental	Business-type
2026	\$ 29,450	\$ 6,573

□ **Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
General obligation bonds	\$ 387,000	\$ -	\$ 149,000	\$ 238,000	\$ 146,000
Limited obligation bonds	2,890,000	-	225,000	2,665,000	225,000
Premium on bonds	446,316	-	68,245	378,071	62,160
Direct borrowing					
installment purchases	36,533,987	774,700	2,481,894	34,826,793	2,539,408
NC DST Cash Flow Loan	-	1,172,005	-	1,172,005	1
Financed purchases	138,808	-	109,358	29,450	29,450
Lease liabilities	134,334	-	35,738	98,596	36,666
Subscription liabilities	98,010	-	31,810	66,200	32,662
Compensated absences	1,720,261	214,925	-	1,935,186	1,140,083
Total OPEB liability	1,694,166	-	80,716	1,613,450	-
Net pension liability (LGERS)	9,337,849	98,432	-	9,436,281	-
Total pension liability (LEOSSA)	1,568,520	-	39,634	1,528,886	-
Total governmental activities	<u>\$ 54,949,251</u>	<u>\$ 2,260,062</u>	<u>\$ 3,221,395</u>	<u>\$ 53,987,918</u>	<u>\$ 4,211,430</u>
Business-Type Activities:					
Revenue bonds	\$ 21,756,000	\$ -	\$ 1,836,000	\$ 19,920,000	\$ 1,859,000
Limited obligation bonds	10,195,000	-	410,000	9,785,000	435,000
Premium on bonds	1,360,899	-	151,942	1,208,957	144,105
State revolving loans	32,731,351	3,045,357	2,067,908	33,708,800	2,098,910
Direct borrowing					
installment purchases	5,080,761	50,000	456,496	4,674,265	488,593
Financed purchases	33,437	-	26,864	6,573	6,573
Leases	53,605	-	14,446	39,159	14,838
Subscriptions	326,335	-	47,350	278,985	50,019
Compensated absences	1,110,738	118,732	-	1,229,470	678,921
Total OPEB liability	1,240,979	-	72,618	1,168,361	-
Net pension liability (LGERS)	6,841,890	72,121	-	6,914,011	-
Total Business-Type Activities	<u>\$ 80,730,995</u>	<u>\$ 3,286,210</u>	<u>\$ 5,083,624</u>	<u>\$ 78,933,581</u>	<u>\$ 5,775,959</u>

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, 2025, City of Hendersonville had a legal debt margin of approximately \$153,000,000.

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, 2025 is composed of the following elements:

<u>Source</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Funds</u>
Pension deferrals (LGERS)	\$ 265,396	\$ 194,457	\$ 459,853	\$ -
Pension deferrals (LEOSSA)	195,324	-	195,324	-
OPEB deferrals	734,758	532,069	1,266,827	-
Lease receivable	-	654,144	654,144	-
Taxes receivable, net (General Fund)	-	-	-	133,937
Taxes receivable, net (special revenue funds)	-	-	-	11,043
Total	<u>\$ 1,195,478</u>	<u>\$ 1,380,670</u>	<u>\$ 2,576,148</u>	<u>\$ 144,980</u>

iv. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2025, are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 65,228,327	\$ 165,959,046
Less: total capital debt	(39,474,115)	(69,621,739)
Less: retainage/capital accounts payable	(305,870)	(3,001,412)
Add: unexpended debt proceeds	718,012	1,251,246
Net investment in capital assets	<u>\$ 26,166,354</u>	<u>\$ 94,587,141</u>

3. Interfund Balances and Transfers – The composition of interfund balances as of June 30, 2025, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Stormwater Fund	\$ 593,152
General Fund	Parking Services Fund	602,344
General Fund	Main Street Tax District Fund	7,563
General Fund	Hurricane Helene Fund	45,229

The Stormwater Fund owes the General Fund for providing cash resources upfront due to timing of not receiving grant requested reimbursements until after June 30th. The Parking Services Fund owes the General Fund back for providing cash resources upfront to help pay the parking services fund expenditures as the new fund started. The Parking fund also lost revenue in FY25 due to Hurricane Helene. The Main Street Tax District owes the General Fund for providing cash resources to cover temporary shortages related to expenditures incurred. These receivables should all be satisfied in the upcoming fiscal year.

Interfund transfers for the year ended June 30, 2025 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Health and Welfare Fund	Water and Sewer Fund	\$ 16,776
Health and Welfare Fund	General Fund	24,533
General Fund	Parking Service Fund	194,340
General Fund	Environmental Services Fund	132,255
General Fund	Grant Fund	28,351
General Fund	General Capital Project Fund	798,796
Water and Sewer Fund	Water and Sewer Capital Reserve Fund	275,480
Water and Sewer Fund	Water and Sewer Capital Project Fund	494,383
General Capital Project Fund	General Fund	602,669
General Capital Project Fund	Main St. Tax District Fund	2,585
General Capital Project Fund	Water and Sewer Fund	4,470
Water and Sewer Capital Project Fund	Water and Sewer Capital Reserve Fund	316,462
Water and Sewer Capital Reserve Fund	Water and Sewer Capital Project Fund	1,010,497
Stormwater Capital Project Fund	Stormwater Fund	100,000

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, 2025, 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. **Prior Period Adjustment/Changes in Accounting Principles** – The City implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously

required disclosures. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$167,459. This change restated and reduced beginning net position of business-type activities and proprietary funds by \$174,665.

Additionally, the City recorded a prior period adjustment to report an allowance for doubtful accounts for their fire department permits receivable, this resulted in a restatement of the General Fund fund balance of \$138,014.

10. Prior Period Adjustment/Correction of Error – During the year, the City discovered that their construction in progress had been understated in prior years due to not including certain expenditures related to capital projects, such as professional services and engineering fees. As a result, the beginning net position of governmental activities and business-type activities were restated to reflect this correction and increased by \$388,285 and \$894,939, respectively.

11. Extraordinary Item – Hurricane Helene Repairs – 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 all surrounding counties and municipalities. Because it is unusual for a non-coastal area to have severe damage from the effects of a Hurricane and the event was not under the control of management, these financial statements include an extraordinary item for repairs related to Hurricane Helene in the amount of \$5,967,332. The most significant of these costs were for debris removal from streets and waterways, water line repairs, emergency repairs at City buildings and for City equipment and vehicles, and repairs at the waste water treatment plant. Management does not believe any of these repairs involve a temporary or permanent impairment to any capital asset.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

Schedule of Changes in Total Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,568,520	\$ 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	87,147	63,156	91,225	89,032	61,387	60,562	62,891	50,871	49,449
Interest	56,995	56,234	33,384	30,716	37,986	38,281	30,114	33,536	30,213
Difference between expected and actual experience	8,281	42,487	(17,516)	1,768	(70,177)	24,162	83,614	(39,137)	-
Changes of assumptions and other inputs	(70,361)	36,734	(253,620)	(17,720)	453,666	36,179	(43,296)	68,066	(21,588)
Benefit payments	(121,696)	(75,285)	(75,285)	(56,568)	(56,568)	(34,748)	(34,524)	(23,771)	(47,369)
Net changes	(39,634)	123,326	(221,812)	47,228	426,294	124,436	98,799	89,565	10,705
Ending balance	<u>\$ 1,528,886</u>	<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	\$ 1,528,886	\$ 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	2,906,457	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	52.60%	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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset) (%)	0.24253%	0.24429%	0.23242%	0.19500%	0.20052%	0.20183%	0.19549%	0.18539%	0.17432%	0.17693%
City's proportion of the net pension liability (asset) (\$)	\$ 16,350,292	\$ 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
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
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	81.18%	83.18%	82.16%	22.21%	55.23%	44.31%	39.62%	26.96%	36.56%	8.34%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.30%	82.49%	84.14%	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%

* 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>2025</u>	<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>
Contractually required contribution	\$ 3,128,448	\$ 2,622,342	\$ 2,388,223	\$ 1,840,893	\$ 1,419,767	\$ 1,184,667	\$ 987,487	\$ 901,020	\$ 783,926	\$ 691,249
Contributions in relation to the contractually required contribution	<u>3,128,448</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 22,703,551	\$ 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
Contributions as a percentage of covered payroll	13.78%	13.02%	12.28%	11.54%	10.31%	9.13%	7.94%	7.70%	7.46%	6.83%

CITY OF HENDERSONVILLE, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Last Eight Fiscal Years

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Beginning balance	\$ 2,935,145	\$ 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	109,256	132,752	183,931	238,811	170,370	123,683	129,414	124,941
Interest	106,729	138,401	93,577	96,612	131,176	105,858	100,620	99,943
Differences between expected and actual experience	-	(965,070)	-	(36,747)	-	772,971	-	-
Changes of assumptions or other inputs	(29,011)	11,594	(610,867)	(86,726)	573,183	222,593	(89,335)	-
Benefit payments	(340,308)	(266,487)	(229,874)	(272,702)	(229,373)	(195,743)	(236,193)	(175,737)
Net changes	(153,334)	(948,810)	(563,233)	(60,752)	645,356	1,029,362	(95,494)	49,147
Ending balance	<u>\$ 2,781,811</u>	<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>
Covered-employee payroll	\$ 15,461,987	\$ 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	17.99%	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>
2025	3.97%
2024	3.86%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 17,262,584	
Penalties and interest		48,671	
Total	\$ 17,074,020	17,311,255	\$ 237,235
Unrestricted intergovernmental:			
Local option sales taxes		6,662,638	
Payments in lieu of taxes		68,989	
Utility sales tax		1,645,275	
Beer and wine tax		67,124	
ABC profit distribution		437,500	
Court fees		4,337	
Total	8,562,500	8,885,863	323,363
Other taxes and licenses:			
Other taxes		13,455	
Total	12,900	13,455	555
Restricted intergovernmental:			
Powell bill allocation		573,796	
ABC revenue for law enforcement		40,000	
On-behalf payments - fire and rescue		339,671	
Other grant revenues		10,403	
Total	964,417	963,870	(547)
Permits and fees:			
Building permits and inspection fees		214,749	
Special project fees		29,131	
Motor vehicle fees		229,470	
Total	457,085	473,350	16,265
Sales and services:			
Facility rent		7,500	
Recreation fees		47,958	
Paving cut repair fees		214,156	
Cemetery fees		18,300	
Total	375,970	287,914	(88,056)
Investment earnings (losses)	206,300	258,140	51,840
Miscellaneous	249,695	249,956	261
Total revenues	27,902,887	28,443,803	540,916

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		39,805	
Operating		36,637	
Special appropriation		<u>378,740</u>	
Total		<u>455,182</u>	
Administration:			
Salaries and employee benefits		927,178	
Operating		<u>1,170,627</u>	
Total		<u>2,097,805</u>	
City engineer:			
Salaries and employee benefits		444,907	
Operating		<u>44,799</u>	
Total		<u>489,706</u>	
Finance:			
Salaries and employee benefits		385,790	
Operating		<u>198,674</u>	
Total		<u>584,464</u>	
Legal:			
Salaries and employee benefits		186,813	
Operating		<u>26,453</u>	
Total		<u>213,266</u>	
Information technology:			
Salaries and employee benefits		68,420	
Operating		<u>748,817</u>	
Total		<u>817,237</u>	
Total general government	<u>4,991,362</u>	<u>4,657,660</u>	<u>333,702</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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Public safety:			
Police:			
Salaries and employee benefits		6,151,259	
Operating		967,138	
Capital outlay		5,451	
Total	7,305,490	7,123,848	181,642
Fire:			
Salaries and employee benefits		5,286,810	
Operating		803,537	
Capital outlay		26,811	
Total	6,185,496	6,117,158	68,338
Development assistance:			
Salaries and employee benefits		695,470	
Operating		94,048	
Total	808,858	789,518	19,340
Total public safety	14,299,844	14,030,524	269,320
Public works:			
Public works administration:			
Salaries and employee benefits		520,030	
Operating		78,384	
Total		598,414	
Streets and highways			
Salaries and employee benefits		734,803	
Operating		233,117	
Capital outlay		6,500	
Total		974,420	
Traffic engineering:			
Salaries and employee benefits		305,633	
Operating		73,814	
Total		379,447	
State Street Aid allocation:		6,059	
Grounds maintenance:			
Salaries and employee benefits		607,971	
Operating		221,861	
Capital outlay		9,844	
Total		839,676	

CITY OF HENDERSONVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Building maintenance:			
Salaries and employee benefits		175,178	
Operating		304,246	
Total		<u>479,424</u>	
Patton Park pool:			
Operating		51,189	
Total		<u>51,189</u>	
Fleet maintenance			
Salaries and employee benefits		324,186	
Operating		49,779	
Capital outlay		10,692	
Total		<u>384,657</u>	
Total public works	<u>4,235,155</u>	<u>3,713,286</u>	<u>521,869</u>
Debt Service:			
Principal retirement		3,003,374	
Interest and fees		1,135,490	
Total debt service	<u>4,139,242</u>	<u>4,138,864</u>	<u>378</u>
Total expenditures	<u>27,665,603</u>	<u>26,540,334</u>	<u>1,125,269</u>
Revenues over expenditures	<u>237,284</u>	<u>1,903,469</u>	<u>1,666,185</u>
Other Financing Sources (Uses):			
Appropriated fund balance	1,474,563	-	(1,474,563)
Sale of capital assets	106,371	2,627	(103,744)
Insurance proceeds	-	120,197	120,197
Transfers from other funds	627,202	627,202	-
Transfers to other funds	<u>(2,445,420)</u>	<u>(1,153,744)</u>	<u>1,291,676</u>
Total other financing sources (uses)	<u>(237,284)</u>	<u>(403,718)</u>	<u>(166,434)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,499,751</u>	<u>\$ 1,499,751</u>
Fund balance, beginning, as previously stated		11,072,165	
Prior period adjustment (Note 10)		<u>(138,014)</u>	
Fund balance, beginning of year, as restated		<u>10,934,151</u>	
Fund balance, end of year		<u>\$ 12,433,902</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, 2025

	Reported		Actual		Variance
	Project	In Prior	Current	Total	Positive
	Authorization	Years	Year	to Date	(Negative)
Revenues:					
Grant revenue	\$ 1,246,998	\$ 549,331	\$ 499,125	\$ 1,048,456	\$ (198,542)
Local contributions	2,389,770	267,500	-	267,500	(2,122,270)
Miscellaneous income	350,000	-	-	-	(350,000)
Investment earnings	228,903	899,659	111,700	1,011,359	782,456
Total	4,215,671	1,716,490	610,825	2,327,315	(1,888,356)
Expenditures:					
General government					
NCDOT White/S Main	477,950	10,780	5,614	16,394	461,556
City Hall and Ops Renovation	5,371,000	4,220,843	1,081,423	5,302,266	68,734
NCDOT Blythe St Sidewalks	12,363	12,363	-	12,363	-
City Hall 3rd Floor Reno	171,380	-	169,708	169,708	1,672
City Hall Exterior Reno	1,245,816	39,723	2,125	41,848	1,203,968
Downtown Cameras	100,000	-	74,994	74,994	25,006
Hurricane Helene	501,500	-	492,061	492,061	9,439
Non-capital	196,082	196,082	-	196,082	-
Total general government	8,076,091	4,479,791	1,825,925	6,305,716	1,770,375
Public safety					
Fire Station #1	14,748,869	13,994,013	517,891	14,511,904	236,965
Fire Ladder	1,500,000	1,497,421	-	1,497,421	2,579
Fire Engine	800,000	790,700	-	790,700	9,300
Fire Station #3	4,470,000	274,157	-	274,157	4,195,843
Police Vehicles	2,670,745	-	987,730	987,730	1,683,015
Non-capital	76,470	76,470	-	76,470	-
Total public safety	24,266,084	16,632,761	1,505,621	18,138,382	6,127,702
Public works					
Tracey Grove Bridge	592,989	236,603	62,910	299,513	293,476
Non-capital	29,000	1,240	7,700	8,940	20,060
Total transportation	621,989	237,843	70,610	308,453	313,536
Economic and physical development					
7th Avenue Streetscape	3,138,731	2,154,620	947,874	3,102,494	36,237
Dogwood	750,000	-	-	-	750,000
Non-capital	1,086,000	19,654	199,513	219,167	866,833
Total economic and physical development	4,974,731	2,174,274	1,147,387	3,321,661	1,653,070
Cultural and recreation					
Disc Golf Project	45,000	-	22,477	22,477	22,523
Clean Creek Greenway	2,322,020	499,682	240,254	739,936	1,582,084
Edwards Park Development	2,704,690	2,533,098	20,322	2,553,420	151,270
Non-capital	80,000	-	80,000	80,000	-
Total cultural and recreation	5,151,710	3,032,780	363,053	3,395,833	1,755,877
Total expenditures	43,090,605	26,557,449	4,912,596	31,470,045	11,620,560
Revenues under expenditures	(38,874,934)	(24,840,959)	(4,301,771)	(29,142,730)	9,732,204
Other Financing Sources (Uses):					
Issuance of long-term obligations	34,976,871	27,265,592	774,700	28,040,292	(6,936,579)
Insurance proceeds	409,656	-	409,656	409,656	-
Sale of capital assets	-	350,000	-	350,000	350,000
Transfers from other funds	4,542,407	1,066,151	6,788,075	7,854,226	3,311,819
Transfers to other funds	(1,054,000)	-	(6,599,003)	(6,599,003)	(5,545,003)
Total other financing sources (uses)	38,874,934	28,681,743	1,373,428	30,055,171	(8,819,763)
Net change in fund balance	\$ -	\$ 3,840,784	(2,928,343)	\$ 912,441	\$ 912,441
Fund balance, beginning of year			3,840,784		
Fund balance, end of year			\$ 912,441		

CITY OF HENDERSONVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2025

	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	Grants Fund	Hurricane Helene Fund	Total Nonmajor Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	3,248	47,026	278,826	1,713,861	-	2,042,961
Accounts receivable	-	-	314	-	-	314
Taxes receivable, net	8,462	2,581	-	-	-	11,043
Notes receivable	-	-	-	462,500	-	462,500
Due from other governments	100,467	20,582	-	162,785	1,211,608	1,495,442
Prepays	-	-	-	11,576	-	11,576
Total assets	<u>\$ 112,177</u>	<u>\$ 70,189</u>	<u>\$ 279,140</u>	<u>\$ 2,350,722</u>	<u>\$ 1,211,608</u>	<u>\$ 4,023,836</u>
LIABILITIES:						
Account payable and accrued liabilities	\$ 21,469	\$ 1,741	\$ 80,000	\$ -	\$ 36,826	\$ 140,036
Accrued salaries and benefits	12,280	3,441	-	-	-	15,721
Due to other funds	7,563	-	-	-	45,229	52,792
Payable from restricted assets						
Accounts payable and accrued liabilities	-	-	-	29,642	-	29,642
Total liabilities	<u>41,312</u>	<u>5,182</u>	<u>80,000</u>	<u>29,642</u>	<u>82,055</u>	<u>238,191</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	8,462	2,581	-	-	-	11,043
FUND BALANCES:						
Nonspendable:						
Prepays	-	-	-	11,576	-	11,576
Notes receivable	-	-	-	462,500	-	462,500
Restricted for:						
Stabilization by State statute	62,403	20,582	314	162,785	1,129,553	1,375,637
Economic development	-	41,844	-	-	-	41,844
Public safety	-	-	198,826	1,684,219	-	1,883,045
Committed:						
General government	-	-	-	-	-	-
Total fund balances	<u>62,403</u>	<u>62,426</u>	<u>199,140</u>	<u>2,321,080</u>	<u>1,129,553</u>	<u>3,774,602</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 112,177</u>	<u>\$ 70,189</u>	<u>\$ 279,140</u>	<u>\$ 2,350,722</u>	<u>\$ 1,211,608</u>	<u>\$ 4,023,836</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, 2025

	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	Grants Fund	Hurricane Helene Fund	Total Nonmajor Governmental Funds
Revenues:						
Ad valorem taxes	\$ 321,363	\$ 57,070	\$ -	\$ -	\$ -	\$ 378,433
Local option sales taxes	354,396	70,879	-	-	-	425,275
Restricted intergovernmental	-	-	1,274	240,676	1,211,608	1,453,558
Permits and fees	-	-	94,350	-	-	94,350
Sales and services	13,827	5,000	-	-	-	18,827
Miscellaneous	-	-	17,600	-	-	17,600
Investment earnings	2,145	1,723	306	47,754	-	51,928
Total revenues	691,731	134,672	113,530	288,430	1,211,608	2,439,971
Expenditures:						
Current:						
General government	-	-	303,286	5,155	1,119,118	1,427,559
Public safety	-	-	526	5,116	245,738	251,380
Public works	-	-	17,301	-	303,600	320,901
Economic and physical development	743,137	137,012	-	338,445	-	1,218,594
Culture and recreation	-	-	-	207,895	-	207,895
Debt service:						
Principal	29,430	-	-	-	-	29,430
Interest	14,366	-	-	-	-	14,366
Total expenditures	786,933	137,012	321,113	556,611	1,668,456	3,470,125
Revenues under expenditures	(95,202)	(2,340)	(207,583)	(268,181)	(456,848)	(1,030,154)
Other Financing Sources:						
Insurance proceeds	-	-	-	-	414,396	414,396
Issuance of long-term obligations	-	-	-	-	1,172,005	1,172,005
Transfer from other funds	2,585	-	-	28,351	-	30,936
Total other financing sources	2,585	-	-	28,351	1,586,401	1,617,337
Net change in fund balances	(92,617)	(2,340)	(207,583)	(239,830)	1,129,553	587,183
Fund balances, beginning	155,020	64,766	406,723	2,560,910	-	3,187,419
Fund balances, end of year	\$ 62,403	\$ 62,426	\$ 199,140	\$ 2,321,080	\$ 1,129,553	\$ 3,774,602

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes	\$ 320,005	\$ 321,363	\$ 1,358
Local option sales taxes	351,375	354,396	3,021
Sales and services	23,205	13,827	(9,378)
Investment earnings	1,910	2,145	235
Total revenues	<u>696,495</u>	<u>691,731</u>	<u>(4,764)</u>
Expenditures:			
Current:			
Economic and physical development			
Salaries and employee benefits		442,241	
Other operating expenditures		300,896	
Debt service:			
Principal		29,430	
Interest		14,366	
Total expenditures	<u>864,214</u>	<u>786,933</u>	<u>77,281</u>
Revenues under expenditures	(167,719)	(95,202)	72,517
Other Financing Sources:			
Fund balance appropriated	167,719	-	(167,719)
Transfer from other funds	-	2,585	2,585
Total other financing sources	<u>167,719</u>	<u>2,585</u>	<u>(165,134)</u>
Net changes in fund balance	<u>\$ -</u>	(92,617)	<u>\$ (92,617)</u>
Fund balance, beginning of year		<u>155,020</u>	
Fund balance, end of year		<u>\$ 62,403</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, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 57,210	\$ 57,070	\$ (140)
Local option sales taxes	70,340	70,879	539
Sales and services	5,000	5,000	-
Investment earnings	1,490	1,723	233
Total revenues	<u>134,040</u>	<u>134,672</u>	<u>632</u>
Expenditures:			
Current:			
Economic and physical development			
Salaries and employee benefits		116,152	
Other operating expenditures		20,860	
Total expenditures	<u>173,243</u>	<u>137,012</u>	<u>36,231</u>
Revenues under expenditures	(39,203)	(2,340)	36,863
Other Financing Sources:			
Fund balance appropriated	<u>39,203</u>	<u>-</u>	<u>(39,203)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(2,340)</u>	<u>\$ (2,340)</u>
Fund balance, beginning of year		<u>64,766</u>	
Fund balance, end of year		<u>\$ 62,426</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, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ -	\$ 1,274	\$ 1,274
Permits and fees	-	94,350	94,350
Miscellaneous	20,000	17,600	(2,400)
Investment earnings	-	306	306
Total revenues	<u>20,000</u>	<u>113,530</u>	<u>93,530</u>
Expenditures:			
Current:			
General government	331,500	303,286	28,214
Public works	20,000	17,301	2,699
Public safety	23,500	526	22,974
Total expenditures	<u>375,000</u>	<u>321,113</u>	<u>53,887</u>
Revenues under expenditures	<u>(355,000)</u>	<u>(207,583)</u>	<u>147,417</u>
Other Financing Sources:			
Fund balance appropriated	89,810	-	(89,810)
Transfer to other funds	(54,810)	-	54,810
Transfer from other funds	320,000	-	(320,000)
Total other financing sources (uses)	<u>355,000</u>	<u>-</u>	<u>(355,000)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(207,583)</u>	<u>\$ (207,583)</u>
Fund balance, beginning of year		<u>406,723</u>	
Fund balance, end of year		<u>\$ 199,140</u>	

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, 2025

		Actual			
	Project	Reported	Current	Total	Variance
	Authorization	In Prior	Year	to Date	Positive
		Years			(Negative)
Revenues:					
Restricted intergovernmental	\$ 5,900,660	\$ 8,694,759	\$ 240,676	\$ 8,935,435	\$ 3,034,775
Investment earnings	-	99,496	47,754	147,250	147,250
	<u>5,900,660</u>	<u>8,794,255</u>	<u>288,430</u>	<u>9,082,685</u>	<u>3,182,025</u>
Expenditures:					
Current:					
General government	1,922,116	391,866	5,155	397,021	1,525,095
Public safety	142,755	129,278	5,116	134,394	8,361
Environmental protection	583,079	565,727	-	565,727	17,352
Economic and physical development	1,819,550	6,293	83,127	89,420	1,730,130
Cultural and recreation	250,000	13,050	207,895	220,945	29,055
Water and sewer	400,000	341,012	30,018	371,030	28,970
Stormwater	400,000	167,800	225,300	393,100	6,900
Capital outlay	325,000	10,934	-	10,934	314,066
	<u>5,842,500</u>	<u>1,625,960</u>	<u>556,611</u>	<u>2,182,571</u>	<u>3,659,929</u>
Revenues over expenditures	<u>58,160</u>	<u>7,168,295</u>	<u>(268,181)</u>	<u>6,900,114</u>	<u>6,841,954</u>
Other Financing Sources (Uses):					
Transfers from other funds	656,187	589,911	28,351	618,262	(37,925)
Transfers to other funds	(714,347)	(5,197,296)	-	(5,197,296)	(4,482,949)
Total other financing sources (uses)	<u>(58,160)</u>	<u>(4,607,385)</u>	<u>28,351</u>	<u>(4,579,034)</u>	<u>(4,520,874)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,560,910</u>	<u>(239,830)</u>	<u>\$ 2,321,080</u>	<u>\$ 2,321,080</u>
Fund balance, beginning of year			<u>2,560,910</u>		
Fund balance, end of year			<u>\$ 2,321,080</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

HURRICANE HELENE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PROJECT AUTHORIZATION AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Reported In Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 1,676,000	\$ -	\$ 1,211,608	\$ 1,211,608	\$ (464,392)
	1,676,000	-	1,211,608	1,211,608	(464,392)
Expenditures:					
Current:					
General government	1,121,000	-	1,119,118	1,119,118	1,882
Public safety	250,000	-	245,738	245,738	4,262
Public works	305,000	-	303,600	303,600	1,400
Debt service					
Principal	1,172,005	-	-	-	1,172,005
	2,848,005	-	1,668,456	1,668,456	1,179,549
Revenues under expenditures	(1,172,005)	-	(456,848)	(456,848)	715,157
Other Financing Sources (Uses):					
Insurance proceeds	-	-	414,396	414,396	414,396
Issuance of long-term debt	1,172,005	-	1,172,005	1,172,005	-
Total other financing sources (uses)	1,172,005	-	1,586,401	1,586,401	414,396
Net change in fund balance	\$ -	\$ -	1,129,553	\$ 1,129,553	\$ 1,129,553
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 1,129,553		

NONMAJOR ENTERPRISE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Nonmajor Enterprise Funds		
	Environmental Services Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 67,380	\$ 7,942	\$ 75,322
Investments	-	-	-
Accounts receivable, net	232,169	312,729	544,898
Due from other governments	49,095	372,566	421,661
Prepays	-	10,000	10,000
Restricted cash and cash equivalents	-	26,119	26,119
Total current assets	<u>348,644</u>	<u>729,356</u>	<u>1,078,000</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable/amortizable	11,134	1,463,599	1,474,733
Depreciable/amortizable capital assets, net	<u>992,171</u>	<u>1,606,534</u>	<u>2,598,705</u>
Total capital assets, net	<u>1,003,305</u>	<u>3,070,133</u>	<u>4,073,438</u>
Total assets	<u>1,351,949</u>	<u>3,799,489</u>	<u>5,151,438</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	304,057	185,620	489,677
OPEB deferrals	<u>25,990</u>	<u>17,327</u>	<u>43,317</u>
Total deferred outflows of resources	<u>330,047</u>	<u>202,947</u>	<u>532,994</u>
LIABILITIES			
Current liabilities:			
Accounts payable	38,375	99,237	137,612
Accrued salaries and benefits	26,408	24,541	50,949
Accrued interest payable	6,505	3,814	10,319
Due to the other funds	-	593,152	593,152
Compensated absences, current	32,278	36,478	68,756
Current portion of long-term debt	<u>173,486</u>	<u>62,963</u>	<u>236,449</u>
Total current liabilities	<u>277,052</u>	<u>820,185</u>	<u>1,097,237</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	26,687	32,833	59,520
Net pension liability - LGERS	579,331	353,668	932,999
Total OPEB liability	83,454	55,636	139,090
Long-term debt, net of current portion	<u>531,217</u>	<u>363,323</u>	<u>894,540</u>
Total noncurrent liabilities	<u>1,220,689</u>	<u>805,460</u>	<u>2,026,149</u>
Total liabilities	<u>1,497,741</u>	<u>1,625,645</u>	<u>3,123,386</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	16,294	9,947	26,241
OPEB deferrals	<u>38,006</u>	<u>25,337</u>	<u>63,343</u>
Total deferred inflows of resources	<u>54,300</u>	<u>35,284</u>	<u>89,584</u>
Net investment in capital assets	298,602	2,643,847	2,942,449
Unrestricted (deficit)	<u>(168,647)</u>	<u>(302,340)</u>	<u>(470,987)</u>
Total net position (deficit)	<u>\$ 129,955</u>	<u>\$ 2,341,507</u>	<u>\$ 2,471,462</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, 2025

	Nonmajor Enterprise Funds		
	Environmental Services Fund	Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,816,305	\$ 1,489,191	\$ 3,305,496
OPERATING EXPENSES			
Waste collection	1,728,029	-	1,728,029
Stormwater management	-	1,199,198	1,199,198
Depreciation	135,722	94,056	229,778
Total operating expenses	<u>1,863,751</u>	<u>1,293,254</u>	<u>3,157,005</u>
Operating income (loss)	<u>(47,446)</u>	<u>195,937</u>	<u>148,491</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,244	2,022	3,266
Sale of capital assets	85,000	-	85,000
Insurance proceeds	-	46,494	46,494
FEMA grant	18,318	18,541	36,859
Interest expense	(23,744)	(15,798)	(39,542)
Total nonoperating revenue (expense), net	<u>80,818</u>	<u>51,259</u>	<u>132,077</u>
Income before contributions and transfers	<u>33,372</u>	<u>247,196</u>	<u>280,568</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Capital contributions	27,690	846,314	874,004
Transfers from other funds	132,255	-	132,255
Total transfers and capital contributions	<u>159,945</u>	<u>846,314</u>	<u>1,006,259</u>
Change in net position	<u>193,317</u>	<u>1,093,510</u>	<u>1,286,827</u>
Net position (deficit), beginning of year	(56,491)	1,258,260	1,201,769
Restatement (Note 9)	(6,871)	(10,263)	(17,134)
Net position (deficit), restated	<u>(63,362)</u>	<u>1,247,997</u>	<u>1,184,635</u>
Net position, end of year	<u>\$ 129,955</u>	<u>\$ 2,341,507</u>	<u>\$ 2,471,462</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Nonmajor Enterprise Funds		
	Environmental Services Fund	Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,831,560	\$ 1,346,752	\$ 3,178,312
Cash paid for goods and services	(836,926)	(233,996)	(1,070,922)
Cash paid to employees	(1,090,029)	(1,307,800)	(2,397,829)
Net cash used by operating activities	(95,395)	(195,044)	(290,439)
Cash flows from noncapital financing activities:			
Transfers from other funds	132,255	-	132,255
Non-capital grants	18,318	18,541	36,859
Due to general fund	(76,554)	105,775	29,221
Net cash provided by noncapital financing activities	74,019	124,316	198,335
Cash flows from capital and related financing activities:			
Insurance proceeds	-	46,494	46,494
Proceeds on sale of assets	85,000	-	85,000
Capital contributions	27,690	502,095	529,785
Acquisition and construction of capital assets	(238,055)	(391,676)	(629,731)
Proceeds from issuance of long-term debt	50,000	-	50,000
Principal retirement	(162,987)	(68,549)	(231,536)
Interest paid on long-term debt	(24,773)	(15,854)	(40,627)
Net cash provided (used) by capital and related financing activities	(263,125)	72,510	(190,615)
Cash flows from investing activities:			
Purchases of investments, net	980	-	980
Interest on investments	1,244	2,022	3,266
Net cash provided by investing activities	2,224	2,022	4,246
Net increase (decrease) in cash and cash equivalents	(282,277)	3,804	(278,473)
Cash and cash equivalents, beginning of year	349,657	30,257	379,914
Cash and cash equivalents, end of year	\$ 67,380	\$ 34,061	\$ 101,441

CITY OF HENDERSONVILLE, NORTH CAROLINA

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Nonmajor Enterprise Funds		
	Environmental Services Fund	Stormwater Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (47,446)	\$ 195,937	\$ 148,491
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	135,722	94,056	229,778
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	15,256	(142,439)	(127,183)
(Increase) decrease in due from other governments	(46,014)	(33,329)	(79,343)
(Increase) decrease in prepaids	50,000	120	50,120
(Increase) decrease in deferred outflows of resources for pensions	48,278	29,472	77,750
(Increase) decrease in deferred outflows of resources for OPEB	9,657	4,423	14,080
Increase (decrease) in accounts payable and accrued liabilities	(249,695)	(353,256)	(602,951)
Increase (decrease) in compensated absences	5,920	13,522	19,442
Increase (decrease) in net pension liability - LGERS	6,043	3,689	9,732
Increase (decrease) in OPEB liability	(20,450)	(7,763)	(28,213)
Increase (decrease) in deferred inflows of resources - pensions	10,420	6,361	16,781
Increase (decrease) in deferred inflows of resources - OPEB	(13,086)	(5,837)	(18,923)
Total adjustment	(47,949)	(390,981)	(438,930)
Net cash provided used by operating activities	\$ (95,395)	\$ (195,044)	\$ (290,439)
Noncash Capital and Related Financing Activities			
Donated assets received	\$ -	\$ 344,219	\$ 344,219

BUDGETARY COMPARISON SCHEDULES (NON-GAAP)

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services			
Water sales		\$ 17,457,566	
Sewer charges		8,455,021	
Miscellaneous		463,439	
Water and sewer taps		438,424	
Total operating revenues	\$ 26,873,313	26,814,450	\$ (58,863)
Non-operating revenues:			
FEMA grant		300,506	
Lease revenue		26,013	
Investment income (loss)		395,877	
Total non-operating revenues	542,665	722,396	179,731
Total revenues	27,415,978	27,536,846	120,868
Expenditures:			
General Business:			
Salaries and employee benefits		4,947,315	
Operating expenditures		3,638,357	
Capital outlay		254,804	
Total general business	9,117,888	8,840,476	277,412
Water Facilities:			
Salaries and employee benefits		755,976	
Operating expenditures		558,063	
Capital outlay		73,015	
Total water facilities	1,379,245	1,387,054	(7,809)
Water Treatment:			
Salaries and employee benefits		1,241,710	
Operating expenditures		1,096,441	
Capital outlay		53,871	
Total water treatment	2,483,286	2,392,022	91,264
Water Operations:			
Salaries and employee benefits		687,262	
Operating expenditures		210,851	
Capital outlay		25,912	
Total water operations	1,013,436	924,025	89,411

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, 2025

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued):			
Water Distribution:			
Salaries and employee benefits		2,283,632	
Operating expenditures		1,042,933	
Capital outlay		399,309	
Total water distribution	3,884,149	3,725,874	158,275
Wastewater Facilities Maintenance:			
Salaries and employee benefits		375,627	
Operating expenditures		38,626	
Capital outlay		8,785	
Total wastewater facilities maintenance	458,350	423,038	35,312
Wastewater Treatment:			
Salaries and employee benefits		943,660	
Operating expenditures		873,163	
Capital outlay		24,917	
Total wastewater treatment	1,876,125	1,841,740	34,385
Wastewater Operations Support:			
Salaries and employee benefits		346,693	
Operating expenditures		155	
Total wastewater operations support	362,898	346,848	16,050
Wastewater Collection:			
Salaries and employee benefits		1,121,992	
Operating expenditures		513,318	
Capital outlay		169,912	
Total wastewater collection	2,101,156	1,805,222	295,934
Debt Service:			
Principal		4,217,532	
Interest		1,116,219	
Total debt service	5,370,534	5,333,751	36,783
Total expenditures	28,047,067	27,020,050	1,027,017
Revenues under expenditures	(631,089)	516,796	1,147,885

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, 2025

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Fund balance appropriated	1,547,882	-	(1,547,882)
Insurance proceeds	-	245,884	245,884
Transfer to other funds	(916,793)	(769,863)	146,930
Transfer from other funds	-	21,246	21,246
Total other financing sources (uses)	<u>631,089</u>	<u>(502,733)</u>	<u>(1,133,822)</u>
 Revenues and other sources over expenditures	 <u>\$ -</u>	 14,063	 <u>\$ 14,063</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
 Reconciling items:			
Principal payments on long-term debt		4,217,532	
Change in accrued interest payable		29,204	
Lease revenue		18,000	
Change in net pension liability and related deferred outflows of resource and deferred inflows of resources		(605,990)	
Change in net total OPEB liability and related deferred outflows of resource and deferred inflows of resources		(6,561)	
Change in compensated absences		(87,470)	
Purchase of capital assets		1,010,525	
Donated capital assets		1,314,839	
Net book value of capital asset disposals		(389,607)	
Depreciation and amortization		(4,897,579)	
Noncapitalized expenses - Water and Sewer Capital Projects Fund		(2,073,712)	
Capital contributions - Water and Sewer Capital Reserve Fund		(418,555)	
Net transfers of the Water and Sewer Capital Projects Fund		1,188,418	
Investment earnings - Water and Sewer Capital Projects Fund		93,177	
Debt issuance costs - Water and Sewer Capital Projects Fund		(143,367)	
Insurance proceeds - Water and Sewer Capital Projects Fund		2,864,891	
Capital contributions - Water and Sewer Capital Projects Fund		1,863,323	
Total reconciling items		<u>3,977,068</u>	
 Change in net position		 <u>\$ 3,991,131</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, 2025

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to other funds	\$ (1,010,497)	\$ (1,010,497)	\$ -
Transfer from other funds	1,010,497	591,942	(418,555)
Total other financing sources (uses)	<u>-</u>	<u>(418,555)</u>	<u>(418,555)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ (418,555)</u>	 <u>\$ (418,555)</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, 2025**

	Actual				Variance Positive (Negative)
	Project Authorization	Reported In Prior Years	Current Year	Total to Date	
Revenues:					
Grant revenue	\$ 16,561,250	\$ 140	\$ 1,863,323	\$ 1,863,463	\$ (14,697,787)
Miscellaneous	-	36,917	-	36,917	36,917
Investment earnings	-	13,862	93,177	107,039	107,039
Total revenues	16,561,250	50,919	1,956,500	2,007,419	(14,553,831)
Expenditures:					
Northside - State SRF	5,543,175	5,531,427	11,747	5,543,174	1
French Broad - Fed SRF	23,052,935	21,548,083	1,408,165	22,956,248	96,687
WWTP UV Disinfection Replacement	4,021,784	3,331,760	412,424	3,744,184	277,600
7th Ave Streetscape	865,000	-	865,000	865,000	-
Biosolids Dryer	18,345,473	1,097,550	1,524,093	2,621,643	15,723,830
Rutledge Road Improvements	476,000	10,744	-	10,744	465,256
White & S Main St	3,750,000	-	-	-	3,750,000
4th and Ashe St Improvements	4,434,646	84,795	1,705,084	1,789,879	2,644,767
Mud Creek Interceptor	5,600,000	134,499	4,726	139,225	5,460,775
WWTF Equalization Basin	6,000,000	86,806	-	86,806	5,913,194
Church and King - 22.23 Rev Bond	1,192,043	1,079,248	(15,072)	1,064,176	127,867
WTP 15 MGD Expansion	2,464,400	270,835	1,024,151	1,294,986	1,169,414
Fleetwood Infrastructure Imp - 2023 Rev Bond	1,592,917	829,391	673,216	1,502,607	90,310
Sewer Infrastructure Streambank Restoration	600,000	85,584	9,366	94,950	505,050
WWTP Aeration Basin - Federal Grant	1,378,216	1,370,437	(3,598)	1,366,839	11,377
Vactor Truck - 2023 Rev Bond	523,100	-	523,071	523,071	29
Apple Ridge	800,000	-	400,000	400,000	400,000
AMI Meter - 2023 Rev Bond	525,000	445,962	24,976	470,938	54,062
W&S Generator Project	274,000	6,866	215,784	222,650	51,350
WTP Thickener Drive	110,000	96,440	-	96,440	13,560
WWTF Clarifier Drive Mechanism	193,000	-	192,937	192,937	63
WWTP 6MGD Expansion	34,000,000	-	562,158	562,158	33,437,842
Lead Service Line Replacement	561,952	-	46,179	46,179	515,773
Williams Street Demo	542,400	-	42,400	42,400	500,000
Hurricane Helene	2,822,500	-	2,803,869	2,803,869	18,631
FY25 Vehicles and Equipment	530,000	103,355	87,790	191,145	338,855
Total expenditures	120,198,541	36,113,782	12,518,466	48,632,248	71,566,293
Revenues under expenditures	(103,637,291)	(36,062,863)	(10,561,966)	(46,624,829)	57,012,462
Other Financing Sources (Uses):					
Transfers from other funds	15,776,954	8,471,735	1,788,671	10,260,406	(5,516,548)
Transfers to other funds	(718,180)	(1,099,027)	(600,253)	(1,699,280)	(981,100)
Insurance proceeds	-	-	2,864,891	2,864,891	2,864,891
Debt issuance costs	(143,367)	-	(143,367)	(143,367)	-
Issuance of long-term debt	88,721,884	29,657,843	3,045,357	32,703,200	(56,018,684)
Total other financing sources (uses)	103,637,291	37,030,551	6,955,299	43,985,850	(59,651,441)
Net change in fund balance	\$ -	\$ 967,688	\$ (3,606,667)	\$ (2,638,979)	\$ (2,638,979)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 1,153,826	
Total operating revenues	\$ 1,103,570	1,153,826	\$ 50,256
Non-operating revenues:			
FEMA grant		2,712	
Investment income (loss)		3,442	
Total non-operating revenues	83,565	6,154	(77,411)
Total revenues	1,187,135	1,159,980	(27,155)
Expenditures:			
Operations:			
Salaries and employee benefits		270,062	
Operating expenditures		290,205	
Total expenditures	580,937	560,267	20,670
Debt Service:			
Principal		410,000	
Interest		397,450	
Total debt service	807,450	807,450	-
Total expenditures	1,388,387	1,367,717	20,670
Revenues under expenditures	(201,252)	(207,737)	(6,485)
Other Financing Sources:			
Fund balance appropriated	201,252	-	(201,252)
Insurance proceeds		19,079	19,079
Transfer from other funds	-	194,340	194,340
Total other financing sources (uses)	201,252	213,419	12,167
Revenues and other sources over expenditures	\$ -	5,682	\$ 5,682

CITY OF HENDERSONVILLE, NORTH CAROLINA

PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments on long-term debt		410,000	
Amortization of bond premiums		151,942	
Change in accrued interest payable		1,684	
Change in compensated absences		(11,821)	
Purchase of capital assets		-	
Depreciation and amortization		<u>(432,664)</u>	
Total reconciling items		<u>119,141</u>	
Change in net position		<u><u>\$ 124,823</u></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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services		\$ 1,816,305	
Total operating revenues	\$ 1,823,660	<u>1,816,305</u>	\$ (7,355)
Non-operating revenues:			
FEMA grant		18,318	
Investment earnings (loss)		89	
Total non-operating revenues	<u>1,200</u>	<u>18,407</u>	<u>17,207</u>
Total revenues	<u>1,824,860</u>	<u>1,834,712</u>	<u>9,852</u>
Expenditures:			
Operations:			
Salaries and employee benefits		1,137,582	
Operating expenditures		532,665	
Total operations	<u>1,861,817</u>	<u>1,670,247</u>	<u>191,570</u>
Debt Service:			
Principal		162,987	
Interest		24,773	
Total debt service	<u>180,298</u>	<u>187,760</u>	<u>(7,462)</u>
Total expenditures	<u>2,042,115</u>	<u>1,858,007</u>	<u>184,108</u>
Revenues over (under) expenditures	<u>(217,255)</u>	<u>(23,295)</u>	<u>193,960</u>
Other Financing Sources:			
Sale of capital assets	-	85,000	85,000
Transfer from other funds	<u>217,255</u>	<u>132,255</u>	<u>(85,000)</u>
Total other financing sources	<u>217,255</u>	<u>217,255</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	193,960	<u>\$ 193,960</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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments on long-term debt		162,987	
Change in accrued interest payable		1,029	
Change in net pension liability and related deferred outflows of resource and deferred inflows of resources		(64,741)	
Change in net total OPEB liability and related deferred outflows of resource and deferred inflows of resources		23,879	
Change in compensated absences		(5,920)	
Noncapitalized expenses - Environmental Services Capital Projects Fund		(11,000)	
Depreciation and amortization		(135,722)	
Capital contributions - Environmental Services Capital Projects Fund		28,845	
Total reconciling items		<u>(643)</u>	
Change in net position		<u>\$ 193,317</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, 2025

			Actual			
	Project	Reported	Current	Total	Variance	
	Authorization	In Prior	Year	to Date	Positive	
		Years			(Negative)	
Revenues:						
Grant revenue	\$ 40,000	\$ -	\$ 27,690	\$ 27,690	\$ (12,310)	
Investment earnings	-	10,136	1,155	11,291	11,291	
Total revenues	40,000	10,136	28,845	38,981	(1,019)	
Expenditures:						
Contracted services - capital	25,000	-	25,000	25,000	-	
Contracted services - non capital	23,000	-	11,000	11,000	12,000	
FY25 vehicles and equipment	50,000	-	50,000	50,000	-	
FY24 vehicles and equipment	549,065	320,866	163,054	483,920	65,145	
Total expenditures	647,065	320,866	249,054	569,920	77,145	
Revenues under expenditures	(607,065)	(310,730)	(220,209)	(530,939)	76,126	
Other Financing Sources:						
Issuance of long-term debt	550,000	477,004	50,000	527,004	22,996	
Transfers from other funds	57,065	-	-	-	57,065	
Total other financing sources	607,065	477,004	50,000	527,004	80,061	
Net change in fund balance	\$ -	\$ 166,274	\$ (170,209)	\$ (3,935)	\$ (3,935)	

CITY OF HENDERSONVILLE, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services		\$ 1,489,191	
Total operating revenues	<u>\$ 1,453,500</u>	<u>1,489,191</u>	<u>\$ 35,691</u>
Non-operating revenues:			
Investment earnings		2,022	
FEMA grant		18,541	
Total non-operating revenues	<u>4,160</u>	<u>20,563</u>	<u>16,403</u>
Total revenues	<u>1,457,660</u>	<u>1,509,754</u>	<u>52,094</u>
Expenditures:			
Operations:			
Salaries and employee benefits		1,009,219	
Operating expenditures		146,111	
Capital outlay		38,379	
Total operations	<u>1,312,631</u>	<u>1,193,709</u>	<u>118,922</u>
Debt Service:			
Principal		68,549	
Interest		15,854	
Total debt service	<u>84,870</u>	<u>84,403</u>	<u>467</u>
Total expenditures	<u>1,397,501</u>	<u>1,278,112</u>	<u>119,389</u>
Revenues over expenditures	<u>60,159</u>	<u>231,642</u>	<u>171,483</u>
Other Financing Sources (Uses):			
Insurance proceeds	46,487	46,494	7
Transfer to other funds	<u>(106,646)</u>	<u>(100,000)</u>	<u>6,646</u>
Total other financing sources (uses)	<u>(60,159)</u>	<u>(53,506)</u>	<u>6,653</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>178,136</u>	<u>\$ 178,136</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments on long-term debt		68,549	
Change in accrued interest payable		56	
Change in net pension liability and related deferred outflows of resource and deferred inflows of resources		(39,522)	
Change in net total OPEB liability and related deferred outflows of resource and deferred inflows of resources		9,177	
Change in compensated absences		(13,523)	
Purchase of capital assets		38,379	
Donated capital assets		344,219	
Depreciation and amortization		(94,056)	
Transfers of the Stormwater Capital Projects Fund		100,000	
Capital contributions - Stormwater Capital Projects Fund		502,095	
Total reconciling items		<u>915,374</u>	
Change in net position		<u>\$ 1,093,510</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, 2025

	Project Authorization	Reported In Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Grant revenue	\$ 4,077,790	\$ 418,500	\$ 502,095	\$ 920,595	\$ (3,157,195)
Expenditures:					
Lower Mud Creek Floodplain	3,732,090	342,567	258,535	601,102	3,130,988
Sullivan Park Streambank	448,000	422,862	18,954	441,816	6,184
7th Avenue Streetscape	250,000	174,192	75,808	250,000	-
Total expenditures	4,430,090	939,621	353,297	1,292,918	3,137,172
Revenues over (under) expenditures	(352,300)	(521,121)	148,798	(372,323)	(20,023)
Other Financing Sources:					
Transfers (to) from other funds	352,300	151,923	100,000	251,923	(100,377)
Net change in fund balance	\$ -	\$ (369,198)	\$ 248,798	\$ (120,400)	\$ (120,400)

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, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 342,025	\$ 120,000	\$ (222,025)
Investment earnings	-	19,914	19,914
Miscellaneous	20,000	5,793	(14,207)
Total revenues	<u>362,025</u>	<u>145,707</u>	<u>(216,318)</u>
Expenditures:			
Current:			
Employee benefits	<u>362,025</u>	<u>128,636</u>	<u>233,389</u>
Operating income	-	17,071	17,071
Other financing sources:			
Appropriated fund balance	41,309	-	(41,309)
Transfers to other funds	<u>(41,309)</u>	<u>(41,307)</u>	<u>2</u>
Total other financing sources (uses)	<u>-</u>	<u>(41,307)</u>	<u>(41,307)</u>
Change in net position	<u>\$ -</u>	<u>(24,236)</u>	<u>\$ (24,236)</u>
Net position, beginning of year		<u>24,236</u>	
Net position, end of year		<u>\$ -</u>	

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2025

Fiscal Year	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 17,177,094	\$ 17,082,230	\$ 94,864
2023-2024	104,500	-	76,550	27,950
2022-2023	79,432	-	63,055	16,377
2021-2022	3,600	5,508	-	9,108
2020-2021	3,797	2,532	-	6,329
2019-2020	41,089	-	25,825	15,264
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	<u>2,590</u>	<u>-</u>	<u>2,590</u>	<u>-</u>
Total	<u>\$ 491,304</u>	<u>\$ 17,185,134</u>	<u>\$ 17,506,546</u>	169,892
Less: allowance for uncollectible accounts				<u>(35,955)</u>
Ad valorem taxes receivable, net				<u>\$ 133,937</u>
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 17,311,255</u>
Reconciling items:				
Penalties and interest				(48,671)
Taxes written off				258,886
Other adjustments				<u>(14,924)</u>
Total reconciling items				<u>195,291</u>
Total collections and credits				<u>\$ 17,506,546</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

GENERAL FUND
ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY
JUNE 30, 2025

	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	\$ 3,304,351,346	0.5200	\$ 17,182,627	\$ 16,007,850	\$ 1,174,777
Penalties	-	0.5200	3,996	3,996	-
Total	<u>3,304,351,346</u>		<u>17,186,623</u>	<u>16,011,846</u>	<u>1,174,777</u>
Discoveries:					
Current year taxes	1,041,923	0.5200	5,418	5,418	-
Abatements	<u>(2,874,423)</u>	0.5200	<u>(14,947)</u>	<u>(14,947)</u>	<u>-</u>
Total property valuation	<u>\$ 3,302,518,846</u>				
Net levy			17,177,094	16,002,317	1,174,777
Uncollected taxes at June 30, 2025			<u>94,864</u>	<u>94,864</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 17,082,230</u>	<u>\$ 15,907,453</u>	<u>\$ 1,174,777</u>
Current Levy Collection %			<u>99.45%</u>	<u>99.41%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

MAIN STREET TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2025

Fiscal Year	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 322,565	\$ 316,596	\$ 5,969
2023-2024	5,609	-	3,978	1,631
2022-2023	1,601	-	443	1,158
2021-2022	719	-	50	669
2020-2021	-	291	-	291
2019-2020	3,268	-	2,198	1,070
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	-
Total	\$ 26,836	\$ 322,856	\$ 338,904	10,788
Less: allowance for uncollectible accounts				<u>(2,326)</u>
Ad valorem taxes receivable, net				<u>\$ 8,462</u>
Reconciliation with Revenues:				
Ad valorem taxes - Main Street Tax District Fund				<u>\$ 321,363</u>
Reconciling items:				
Penalties and interest				(683)
Taxes written off				15,639
Other adjustments				<u>2,585</u>
Total reconciling items				<u>17,541</u>
Total collections and credits				<u>\$ 338,904</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

MAIN STREET TAX DISTRICT
ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY
JUNE 30, 2025

	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	\$ 153,632,857	0.2100	\$ 322,629	\$ 319,139	\$ 3,490
Discoveries:					
Current year taxes	5,238	0.2100	11	11	-
Abatements	<u>(35,714)</u>	0.2100	<u>(75)</u>	<u>(75)</u>	<u>-</u>
Total property valuation	<u>\$ 153,602,380</u>				
Net levy			322,565	319,075	3,490
Uncollected taxes at June 30, 2025			<u>5,969</u>	<u>5,969</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 316,596</u>	<u>\$ 313,106</u>	<u>\$ 3,490</u>
Current Levy Collection %			<u>98.15%</u>	<u>98.13%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SEVENTH AVENUE TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2025

Fiscal Year	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 58,518	\$ 56,804	\$ 1,714
2023-2024	994	-	12	982
2022-2023	74	40	5	109
2021-2022	12	111	-	123
2020-2021	-	162	-	162
2019-2020	-	53	-	53
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	-
Total	\$ 1,745	\$ 58,884	\$ 57,486	3,143
Less: allowance for uncollectible accounts				<u>(562)</u>
Ad valorem taxes receivable, net				<u>\$ 2,581</u>
Reconcilement with Revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				<u>\$ 57,070</u>
Reconciling items:				
Penalties and interest				(253)
Taxes written off				665
Other adjustments				<u>4</u>
Total reconciling items				<u>416</u>
Total collections and credits				<u>\$ 57,486</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SEVENTH AVENUE TAX DISTRICT
ANALYSIS OF CURRENT YEAR CITY-WIDE TAX LEVY
JUNE 30, 2025

	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	\$ 27,866,667	0.2100	\$ 58,520	\$ 51,101	\$ 7,419
Abatements	<u>(952)</u>	0.2100	<u>(2)</u>	<u>(2)</u>	<u>-</u>
Total property valuation	<u>\$ 27,865,714</u>				
Net levy			58,518	51,099	7,419
Uncollected taxes at June 30, 2025			<u>1,714</u>	<u>1,714</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 56,804</u>	<u>\$ 49,385</u>	<u>\$ 7,419</u>
Current Levy Collection %			<u>97.07%</u>	<u>96.65%</u>	<u>100.00%</u>

STATISTICAL SECTION

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
Net investment in capital assets	\$ 26,166,354	\$ 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
Restricted	8,826,994	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
Unrestricted (deficit)	(2,363,626)	(4,501,395)	388,280	(89,526)	(2,700,317)	982,519	1,110,510	1,397,633	3,971,616	4,681,884
Total governmental activities net position	<u>\$ 32,629,722</u>	<u>\$ 32,152,198</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>
Business-type activities										
Net investment in capital assets	\$ 94,587,141	\$ 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
Unrestricted	8,081,848	11,533,928	11,316,890	10,917,754	12,545,384	10,189,499	13,368,475	18,731,513	22,731,743	25,771,050
Total business-type activities net position	<u>\$ 102,668,989</u>	<u>\$ 97,266,208</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>
Primary government										
Net investment in capital assets	\$ 120,753,495	\$ 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
Restricted	8,826,994	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
Unrestricted	5,718,222	7,032,533	11,705,170	10,828,228	9,845,067	11,172,018	14,478,985	20,129,146	26,703,359	30,452,934
Total primary government activities net position	<u>\$ 135,298,711</u>	<u>\$ 129,418,406</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>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Expenses:										
Governmental activities:										
General government										
Public safety	\$ 6,598,827	\$ 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
Public works	16,367,360	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
Economic and physical development	2,793,452	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
Cultural and recreation	1,342,523	1,031,391	816,721	622,665	467,382	560,800	521,007	721,195	564,691	520,035
Interest on long-term debt	1,294,014	1,106,846	932,353	809,652	848,292	913,075	864,375	960,189	1,010,569	968,892
Total governmental activities expenses	1,085,890	1,109,165	883,110	459,091	453,291	325,760	253,558	274,831	263,137	295,850
	29,482,066	28,752,029	26,607,993	21,499,891	19,928,550	18,898,395	17,223,650	16,254,203	15,361,729	14,252,039
Business-type activities:										
Water and sewer	25,774,853	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
Parking services	1,248,576	1,083,015	612,881	454,355	-	-	-	-	-	-
Environmental services	1,887,495	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
Stormwater	1,309,052	1,076,665	948,011	1,352,826	437,571	311,497	275,402	177,649	-	-
Total business-type activities	30,219,976	29,303,046	26,836,795	24,393,797	20,366,910	18,824,333	17,773,664	16,569,658	19,823,469	18,670,373
Total primary government expenses	\$ 59,702,042	\$ 58,055,075	\$ 53,444,788	\$ 45,893,688	\$ 40,295,460	\$ 37,722,728	\$ 34,997,314	\$ 32,823,861	\$ 35,185,198	\$ 32,922,412
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
Public safety	1,156,587	1,177,077	271,432	-	177,686	251,510	390,797	468,933	295,562	217,039
Public works	-	-	-	-	-	200,070	153,295	-	-	-
Cultural and recreation	74,193	69,544	298,362	329,893	301,004	273,800	292,418	363,692	429,214	412,311
Operating grants and contributions	2,506,041	1,840,703	6,821,829	3,416,622	1,860,657	1,272,272	1,338,803	703,076	807,606	722,754
Capital grants and contributions	499,125	5,202,895	242,832	-	699,285	-	271,254	561,531	565,917	1,073,002
Total governmental activities program revenues	4,235,946	8,290,219	7,691,596	3,839,936	3,104,179	2,035,382	2,486,839	2,122,871	2,136,678	2,511,101
Business-type activities:										
Charges for Services										
Water and sewer	26,814,450	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
Parking services	1,153,826	1,103,099	564,735	236,266	-	-	-	-	-	-
Environmental services	1,816,305	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
Stormwater	1,489,191	1,234,806	1,025,762	998,963	652,269	378,635	341,334	241,568	-	-
Grants and contributions	4,392,243	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
Total business-type activities program revenues	35,666,015	36,962,959	31,262,022	26,373,786	21,774,625	20,748,466	19,051,232	18,503,690	17,176,525	16,736,659
Total primary government program revenues	\$ 39,901,961	\$ 45,253,178	\$ 38,953,618	\$ 30,213,722	\$ 24,878,804	\$ 22,783,848	\$ 21,538,071	\$ 20,626,561	\$ 19,313,203	\$ 19,247,760

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	<u>2025</u>	<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>
Net (expense) revenue:										
Governmental activities	\$ (25,246,120)	\$ (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)
Business-type activities	5,446,039	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)
Total government net expense	<u>\$ (19,800,081)</u>	<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>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 17,599,091	\$ 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
Local option sales tax	7,087,913	6,247,625	5,882,131	5,236,194	4,597,838	3,807,868	3,427,281	3,203,984	3,198,658	3,180,632
Other taxes	1,794,843	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
Grants and contributions not restricted to specific programs	-	15,000	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	264,151	239,548	245,055	261,890
Investment earnings, unrestricted	421,831	857,568	565,359	(41,011)	16,594	121,167	220,110	60,808	45,477	117,250
Gain/(loss) on disposal of asset	(38,438)	365,893	-	-	-	-	-	-	-	-
Insurance proceeds	944,249	-	-	-	-	-	-	-	-	-
Miscellaneous, unrestricted	426,713	881,949	156,785	108,811	168,047	155,925	211,310	337,144	293,332	335,338
Transfers	(347,841)	(5,195,772)	3,765,747	(350,000)	-	30,000	336,250	534,955	26,474	138,947
Special items	(2,164,717)	-	-	-	-	-	(569,930)	-	-	-
Total governmental activities	<u>25,723,644</u>	<u>20,031,338</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>
Business-type activities:										
Investment earnings	518,237	591,744	403,683	(22,853)	5,038	164,081	331,817	106,643	85,509	277,173
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Miscellaneous, unrestricted	21,538	21,538	-	-	-	61,352	114,735	196,496	101,689	64,501
Gain on sale of capital assets	(304,607)	91,678	-	26,341	41,515	9,164	5,323	-	-	-
Insurance proceeds	3,176,348	-	-	-	-	-	-	-	-	-
Special items	(3,802,615)	-	-	-	-	-	-	-	-	-
Transfers	347,841	5,195,772	(3,765,747)	350,000	-	(30,000)	(336,250)	(534,955)	(26,474)	(138,947)
Total business-type activities	<u>(43,258)</u>	<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>
Total government	<u>\$ 25,680,386</u>	<u>\$ 25,932,070</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>
Change in net position:										
Governmental activities	\$ 477,524	\$ (430,472)	\$ 5,895,772	\$ 1,129,881	\$ 1,019,680	\$ (358,524)	\$ (445,793)	\$ 90,684	\$ 166,773	\$ 1,685,888
Business-type activities	5,402,781	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)
Total government	<u>\$ 5,880,305</u>	<u>\$ 13,130,173</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>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	<u>2025</u>	<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>
General Fund:										
Non-spendable	\$ 477,628	\$ 463,251	\$ 37,503	\$ 38,543	\$ 83,644	\$ 104,022	\$ 72,783	\$ 461,013	\$ 474,265	\$ 63,057
Restricted	5,332,039	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
Assigned	3,132,565	2,304,552	2,614,518	1,666,590	1,261,744	1,257,155	713,196	612,000	1,017,696	436,981
Unassigned	<u>3,491,670</u>	<u>3,539,997</u>	<u>4,615,551</u>	<u>4,048,193</u>	<u>2,199,122</u>	<u>4,691,912</u>	<u>4,469,087</u>	<u>3,956,453</u>	<u>4,326,041</u>	<u>5,091,043</u>
Total General Fund	<u>12,433,902</u>	<u>10,934,151</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>
All other governmental funds:										
Non-spendable	474,076	150	150	150	368	629,506	-	1,000	12,680	491
Restricted	4,212,967	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
Committed	-	136,975	-	-	-	3,230	3,230	3,230	3,230	-
Assigned	-	-	-	-	-	132,125	135,109	89,307	585,364	1,056,567
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(943,457)</u>	<u>(531,695)</u>	<u>(362,698)</u>	<u>(827,181)</u>	<u>(205,128)</u>	<u>(373,383)</u>
Total all other governmental funds	<u>4,687,043</u>	<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>
Total fund balances	<u>\$ 17,120,945</u>	<u>\$ 17,962,354</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>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	<u>2025</u>	<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>
Revenues:										
Ad valorem taxes	\$ 17,689,688	\$ 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
Other taxes and licenses	13,455	12,240	12,084	10,420	9,888	10,895	11,604	11,544	12,200	13,528
Unrestricted intergovernmental	9,311,138	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
Restricted intergovernmental	2,916,553	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
Permits and fees	567,700	620,567	458,957	496,762	470,766	399,737	412,876	257,704	143,613	103,712
Sales and services	306,741	472,028	376,415	129,331	264,116	341,043	365,557	430,673	518,672	566,479
Investment earnings	421,768	856,820	565,359	(41,011)	16,594	121,167	220,109	60,808	45,476	117,250
Miscellaneous	267,556	492,444	183,350	375,545	165,119	133,676	223,679	548,588	301,644	272,567
Total revenues	<u>31,494,599</u>	<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>
Expenditures:										
Current:										
General government	6,085,219	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
Public safety	14,281,904	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
Public works	4,034,187	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
Economic and physical developmen	1,218,594	1,194,066	778,605	610,171	443,416	533,430	502,947	699,373	542,179	510,737
Culture and recreation	-	-	892,052	766,462	879,309	642,670	644,646	737,169	818,336	803,433
Capital outlay	4,912,596	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	3,032,804	3,033,292	1,711,271	14,616,073	887,105	793,074	631,138	836,995	832,133	830,273
Interest and other charges	1,149,856	1,184,558	823,525	384,105	484,965	277,965	237,879	231,874	270,328	300,938
Bond issuance costs	-	-	80,315	41,517	-	36,933	-	29,550	-	-
Total expenditures	<u>34,715,160</u>	<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>
Revenues over (under) expenditures	<u>(3,220,561)</u>	<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>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	<u>2025</u>	<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>
Other financing sources (uses):										
Proceeds of Debt - Bonds	\$ -	\$ -	\$ -	\$ 15,568,631	\$ -	\$ 11,500,000	\$ -	\$ 1,352,000	\$ -	\$ -
Proceeds of Debt - Notes Payable	1,946,705	1,306,996	21,992,127	609,956	768,161	-	2,965,100	-	655,000	78,533
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	2,627	862,316	81,216	45,080	61,930	1,515	23,207	1,700	8,972	2,125
Insurance recovery	120,197	-	-	-	-	63,617	43,780	50,186	43,855	96,383
Transfers from other funds	7,446,213	506,438	4,393,000	2,110,572	-	30,000	378,250	625,539	26,474	138,947
Transfers to other funds	<u>(7,752,747)</u>	<u>(5,702,210)</u>	<u>(627,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>	<u>(90,584)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>1,762,995</u>	<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>
Special items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,457,566)</u>	<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>
Capital Asset Expenditures	<u>\$ 4,414,932</u>	<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>
Debt service as a percentage of non-capital expenditures	13.80%	15.50%	10.74%	44.64%	7.58%	6.23%	5.46%	7.16%	7.66%	8.28%

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
(Amounts Expressed in Thousands)
JUNE 30, 2025

Fiscal Year	Assessed Real Property		Assessed Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Sales Assessment	
	Commercial/ Industrial Property/Other	Residential Property	Motor Vehicles	Other					Actual Value	Ratio (a)
2016	869,531,034	628,891,720	127,865,067	126,562,294	13,449,401	1,739,400,714	0.46	1,748,844,474	99.46%	0.9946
2017	869,827,543	629,106,171	136,782,391	117,221,370	13,914,601	1,739,022,874	0.46	1,844,138,785	94.30%	0.9430
2018	881,579,895	637,606,103	134,141,102	115,895,380	13,876,051	1,755,346,429	0.47	2,023,454,097	86.75%	0.8675
2019	758,917,288	777,919,406	141,273,265	137,921,560	13,565,701	1,802,465,818	0.49	2,205,390,699	81.73%	0.8173
2020	940,032,962	920,894,622	141,532,245	154,779,155	13,474,000	2,143,764,984	0.49	2,158,225,092	99.33%	0.9933
2021	999,259,059	922,392,978	160,750,408	129,063,770	16,504,479	2,194,961,736	0.49	2,337,054,659	93.92%	0.9392
2022	1,013,616,881	935,646,352	173,936,654	118,793,002	17,617,295	2,224,375,594	0.52	2,530,863,118	87.89%	0.8789
2023	1,187,084,478	824,923,112	186,719,537	135,245,691	18,102,180	2,315,870,638	0.52	3,147,418,644	73.58%	0.7358
2024	1,498,584,845	1,226,114,873	202,981,611	153,261,426	40,077,913	3,040,864,842	0.49	3,043,908,751	99.90%	0.9990
2025	1,956,045,262	1,570,811,940	207,176,286	303,180,433	752,371,605	3,284,842,316	0.52	3,702,482,322	88.72%	0.8872

Source: Henderson County Tax Assessor's Office, Mnicipal Certification Valuation and Property Tax Levies, NC Department of Revenue

Notes: Property in the City was last reassessed within 2023 and became effective fiscal year 2024. Tax rates are per \$100 of assessed value.
The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. Fiscal Year totals listed above are for the taxes for the prior calendar year.

All taxable property was assessed at one hundred percent (100%)of it's estimated actual value.

Revaluation of real property is required by statue at least once every eight years, Henderson County does reassessments once every four years.

Estimated actual taxable value is calculated by dividing assessed values by Sales Assessment Ratio determined by the N.C. Department of Revenue.
The ratio is based on actual property sales which took place during the fiscal year.

CITY OF HENDERSONVILLE, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	<u>City Direct Rates</u>		<u>Overlapping Rates</u>			Total Direct & Overlapping Rate
	City of Hendersonville		<u>Municipal Service Districts</u>		<u>County</u>	
			Downtown District	7th Avenue District	Henderson County	
2016	\$	0.4600	\$ 0.2800	\$ 0.1200	\$ 0.5136	\$ 0.9736
2017		0.4600	0.2800	0.1200	0.5130	\$ 0.9730
2018		0.4700	0.2800	0.1200	0.5650	\$ 1.0350
2019		0.4900	0.2800	0.1200	0.5650	\$ 1.0550
2020		0.4900	0.2600	0.1700	0.5610	\$ 1.0510
2021		0.4900	0.2600	0.1700	0.5610	\$ 1.0510
2022		0.5200	0.2400	0.1700	0.5610	\$ 1.0810
2023		0.5200	0.2400	0.1700	0.5610	\$ 1.0810
2024		0.4900	0.2100	0.2100	0.4310	\$ 0.9210
2025		0.5200	0.2100	0.2100	0.4310	\$ 0.9510

Source: [Henderson County Tax Assessors Office](#)

Notes: Overlapping tax rates are those of local and county governments that apply to property owners within the City of Hendersonville

*All City of Hendersonville property owners pay the Henderson County and City Tax Rate

*All Property owners within the Downtown and Seventh Avenue District pay the special district tax in addition to the City and County tax rates.

*There are no components of the City Direct Rate. The entire tax is dedicated to operating costs.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

JUNE 30, 2025

Taxpayer	2024 Fiscal Year			2015 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles	49,875,228	1	1.52%	\$ 33,069,931	1	1.89%
Lake Point Landing	44,431,491	2	1.35%	N/A	N/A	N/A
Triangle Ballantyne Hendesronville	31,927,308	3	0.97%	N/A	N/A	N/A
Jabil	30,790,884	4	0.94%	N/A	N/A	N/A
Boyd Hyder	27,059,029	5	0.82%	16,286,300	3	0.93%
Brittany Place	25,950,101	6	0.79%	N/A	N/A	N/A
DukeEnergyHC	24,456,393	7	0.74%	N/A	N/A	N/A
Walmart	24,444,207	8	0.74%	18,069,700	2	1.03%
First Citizens Bank	16,242,072	9	0.49%	12,719,997	4	0.73%
Brookdale Senior Living	13,760,652	10	0.42%	N/A	N/A	N/A
Totals	\$ 288,937,365		8.78%	\$ 80,145,928		4.58%

N/A - information not available

Source: Henderson County Assessor

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY PROPERTY TAX LEVIES AND COLLECTIONS (Excluding Motor Vehicles)
Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	2017	8,009,108	7,862,484	98.17%	126,963	7,989,447	99.75%
2017	2018	8,258,921	8,116,296	98.27%	108,531	8,224,827	99.59%
2018	2019	8,825,326	8,697,385	98.55%	80,189	8,777,574	99.46%
2019	2020	9,796,357	9,740,372	99.43%	40,721	9,781,093	99.84%
2020	2021	9,942,338	9,872,077	99.29%	63,933	9,936,010	99.94%
2021	2022	10,663,537	10,595,459	99.36%	58,970	10,654,429	99.91%
2022	2023	11,049,555	10,943,686	99.04%	89,492	11,033,178	99.85%
2023	2024	13,899,750	13,797,204	99.26%	74,596	13,871,800	99.80%
2024	2025	16,002,318	15,907,453	99.41%	-	15,907,453	99.41%

Source: Henderson County Tax Department and City Tax Collector

Note to the Preparer: The property levy and collection amounts above should be Unit-Wide; additional taxes levied for motor vehicles, fire protection districts or special service districts should not be included.

For budget purposes interest, discovery/"late listing" penalties, service fees, advertising fees and other costs are not principal tax and should be excluded from the collection percentage calculation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Financed Purchases	Notes Payable	Leases and Subscription Assets	Revenue Bonds	Other Bonds	Financed Purchases	Notes Payable	Leases and Subscription 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		23,551,000	12,110,391	59,521	31,484,686	495,610	109,274,762	*	6,847
2024	387,000	3,336,315	138,025	36,534,759	232,344	21,756,000	11,555,899	33,435	37,812,113	379,940	111,785,890	*	7,228
2025	238,000	3,043,071	29,459	35,998,787	164,797	19,920,000	10,993,957	6,570	38,754,517	318,144	109,467,302	*	6,992

Note:

Details regarding the City of Hendersonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.
 * Information not available.

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

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2025	238,000	-	238,000	0.01%	15

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, 2025

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	\$ 111,736,286	14.6%	\$ 16,313,498
Subtotal, Overlapping Debt			<u>16,313,498</u>
City of Hendersonville Direct			<u>39,474,114</u>
Total Direct and Overlapping Debt			<u><u>\$ 55,787,612</u></u>

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Limit	138,980,953	139,121,830	140,427,714	144,197,265	171,501,199	175,596,939	\$ 177,950,048	\$ 185,269,651	\$ 243,269,187	\$ 262,787,385
Total Net Debt Applicable to Debt Limit	28,457,664	28,457,664	25,130,628	25,518,936	43,092,506	45,308,038	67,739,388	109,274,762	111,785,890	109,467,302
Legal Debt Margin	<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>\$ 75,994,889</u>	<u>\$ 131,483,297</u>	<u>\$ 153,320,083</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<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>59.0%</u>	<u>46.0%</u>	<u>41.7%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 3,284,842,316
Debt Limit (8% of Total Assessed Value)	262,787,385
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	109,229,302
Total Bonded Debt	238,000
Total Amount of Debt Applicable to Debt Limit	<u>109,467,302</u>
Legal Debt Margin	<u>\$ 153,320,083</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) City Population	(2) County Population	(3) Personal Income (000's)	(4) Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate County	(7) State	(8) U.S.
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	7,065,316	59,258	12,744	3.6%	4.0%	3.6%
2024	15,466	119,230	*	*	12,632	3.4%	4.1%	4.3%
2025	15,656	120,771	*	*	12,500	3.4%	3.7%	4.1%

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

Employer	2025 Fiscal Year			2016 Fiscal Year		
	Number of Employees	Rank	Percentage of Total City Population	Number of Employees	Rank	Percentage of Total City Population
Henderson County Schools	2,000	1	12.77%	1,881	1	13.61%
Pardee Hospital	1,822	2	11.64%	1,400	2	10.13%
Advent Health (Formerly Park Ridge)	1,401	3	8.95%	1,177	3	8.51%
Ingles Markets, Inc.	1,001	4	6.39%	1,161	4	8.40%
Henderson County	1,098	5	7.01%	792	5	5.73%
Wilsonart LLC	607	6	3.88%	578	7	4.18%
Wal-Mart ~	500-999	7	0.00%	400	11	2.89%
Cummins (Formerly Meritor)	533	8	3.40%	527	8	3.81%
Linamar Light Metals-Mr Llc ~	250-499	9	0.00%	*	*	*
Newbold Services Llc	73	10	0.47%	*	*	*
*Unavailable						
Totals	8,535		54.51%	7,916		57.26%

~Employment figures were collected directly from employers when possible. Employers showing a range declined to provide data, and therefore their employment figures are using the range provided bt NC Department of Commerce.

Source: NC Dept of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Finance	12	14	18	19	18	18	21	19	19	18
Support Services	13	14	17	17	17	19	22	23	27	25
Subtotal	30	33	40	41	40	42	48	47	51	48
Public Safety:										
Police	53	53	56	59	59	57	60	58	57	55
Fire	27	29	33	33	49	54	51	48	47	51
Subtotal	80	82	89	92	108	111	111	106	104	106
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	4	4	4	4	4	4	4	4	3
Administration	3	3	3	3	3	3	4	5	5	5
Streets & Highways	7	7	9	9	9	9	9	14	13	13
Traffic Engineer	2	2	2	2	2	4	3	3	4	4
Grounds Maintenance	8	8	8	8	8	9	9	10	13	15
Subtotal	29	30	32	32	32	35	35	42	45	46
Business-Type Activities										
Water and Sewer Fund	68	72	73	79	82	97	100	105	106	105
Environmental Service Fund	15	15	14	14	14	14	14	14	14	14
Stormwater								1	1	2
Parking Service Fund								2	2	2
Subtotal	83	87	87	93	96	111	114	122	123	123
Total	219	222	232	246	258	276	299	308	323	323

CITY OF HENDERSONVILLE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Building Permits Issued:										
Residential	130	101	221	256	309	241	188	282	430	442
Commercial	110	110	105	105	97	90	81	121	160	212
Public Safety - Police										
Physical Arrests	2,723	1,195	909	1,793	787	985	1,030	841	747	919
Traffic Violations	2,017	2,040	2,133	2,239	2,862	2,386	2,570	2,939	2,839	3,075
Parking Violations	3,029	2,462	1,790	1,415	854	689	1,226	5,325	5,870	17,701
Public Safety - Fire										
Number of Fire Calls Answered	4,352	4,761	4,638	4,499	3,855	3,825	4,099	4,224	3,956	4,850
Inspections Conducted	955	1,679	4,318	3,985	4,573	4,634	4,522	3,722	2,506	4,640
Water										
Number of Service Connections	30,000	27,449	28,415	29,986	29,308	30,504	30,981	31,414	31,820	32,140
Average Daily Production in Gallons	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	7,741,000
Sewer										
Number of Service Connections	9,500	9,067	9,411	9,461	9,699	10,198	10,360	10,623	15,005	15,179
Average Daily Treatment in Gallons	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	2,856,000
Solid Waste										
Refuse Collected (Tons per Year)	3,438	3,325	4,031	3,326	3,414	3,566	3,524	3,456	3,542	3,895.33
Recycling Collections (Tons per Year)	1,033	1,106	1,231	1,107	1,005	1,070	997	924	825	944.87
Scrap Metal (Tons per Year)	12	23	12	32	84	11	20,630	12	747	7.0

Sources: Various City of Hendersonville Deaprtments

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Hendersonville										
Public Facilities/Buildings	5	1	1	2	3	3	3	3	3	5
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	30	30	30	42	35	40	40	40	48	39
Public Safety - Fire										
Number of Fire Stations	2	2	2	2	2	2	2	2	2	2
Number of Fire Trucks	5	6	5	5	5	6	6	6	6	6
Public Service										
Streets (in Miles)	68.20	65.75	65.75	65.75	65.75	65.75	67.55	67.55	134.00	68.31
Street Lights (Leased)	1,515	1,520	1,520	1,532	1,532	1,532	1,536	1,536	1,542	1,653
Street Lights (Owned)	189	256	215	286	286	286	286	286	288	367
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	184	184	147.39	147.39
Tennis, Racquet Ball & Pickle Ball Courts	8	8	8	8	8	8	4	2	2	4
Parks	12	12	12	12	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	14	14	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	653	623	624	633	634	664	712	721	693	694
Fire Hydrants	2,648	2,662	2,692	2,694	2,751	2,921	3,035	3,147	3,209	3,209
Sewer										
Sanitary Sewers (Miles)	180	182	182	182	183	183	186	190	190	191
Storm Sewers (Miles)	30	30	30	30	30	30	30	39.8	40	39.8
Solid Waste										
Collection/Refuse Trucks	4	4	4	4	6	6	6	6	7	8

Sources: Various City of Hendersonville departments.

COMPLIANCE SECTION



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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

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 unit, each major fund, and the remaining fund information of City of Hendersonville, North Carolina, as of and for the year ended June 30, 2025, 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 30, 2025. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, which we consider to be a material weakness.

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*.

City of Hendersonville's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hendersonville's responses to the findings identified in our audit that are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 30, 2025



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2025. 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, 2025.

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's 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.

David Killian CPA Group, P.A.

Asheville, North Carolina
January 23, 2026



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2025. 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, 2025.

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 provides 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's 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
January 23, 2026

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2025

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? X yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses yes X none reported
- Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes X 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 X no

The following were audited as major federal programs for the fiscal year ended June 30, 2025:

<u>Program Name</u>	<u>AL #</u>
Clean Water State Revolving Fund	66.458
Community Facilities Loans and Grants	10.766
Disaster Grants - Public Assistance	97.036
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 RESPONSES

For the year ended June 30, 2025

State Awards

Internal control over major State programs:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified
that are not considered to be
material weakness ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act ☐ yes ☒ no

Major State programs for City of Hendersonville for the fiscal year ended June 30, 2025 are:

Program Name

Drinking Water State Reserve Loan

Statewide Cashflow Loan Program

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2025

II. Financial Statement Findings

Finding 2025-001: Prior Period Adjustment – Understatement of Construction in Progress

Criteria: Governmental Accounting Standards Board (GASB) standards require capital assets, including Construction in Progress, to be reported at historical cost. Historical cost includes all expenditures directly attributable to the construction of a capital asset, including professional fees, engineering, and other related services.

Condition: During the current fiscal year, management recorded a prior period adjustment to correct a prior year understatement of Construction in Progress (CIP). CIP had been understated in the Government-wide financial statements related to governmental activities by \$388,285 and in business-type activities by \$894,939. The adjustment was necessary to properly reflect capital assets under construction that existed at the end of the prior fiscal year but were not previously recorded.

Context/Cause: The City did not include certain capitalizable costs—specifically professional and engineering services—associated with construction projects in Construction in Progress during the prior fiscal year. As a result, qualifying expenditures were expensed rather than capitalized.

Effects: Beginning net position for both governmental activities and business-type activities was understated by \$388,285 and \$894,939, respectively, requiring a prior period adjustment to correct the Government-wide financial statements and properly present capital assets and net position.

Recommendation: We recommend that management strengthen internal controls over the tracking and capitalization of construction-related expenditures. This may include improved coordination between departments, periodic reconciliation of capital project records, and enhanced year-end review procedures to ensure all eligible costs are properly recorded as Construction in Progress.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on page 149 in this audit report.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

CITY COUNCIL:
BARBARA G. VOLK
Mayor
DR. JENNIFER HENSLEY
Mayor Pro Tem
GINA BAXTER
MELINDA LOWRANCE
LYNDSEY SIMPSON



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

City of Hendersonville
Corrective Action Plan
For the Fiscal Year Ended June 30, 2025

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

Finding: 2025-001 Prior Period Adjustment – Understatement of Construction in Progress

Name of Contact Person: Krystal Powell, Finance Director

Corrective Action:

The City has recorded the required prior period adjustment to correct the understatement of Construction in Progress for both governmental and business-type activities. To prevent similar issues in future reporting periods, the City will strengthen its capital asset accounting procedures to ensure that all capitalizable construction-related costs, including professional and engineering services, are properly identified and capitalized.

Specifically, the City will enhance coordination between the Finance Department and departments overseeing capital projects to ensure all eligible costs are reviewed for capitalization. In addition, the City will implement monthly reconciliations of Construction in Progress activity, along with enhanced periodic and year-end review procedures, to verify completeness and accuracy throughout the year. This City will also provide guidance to staff regarding the identification of capitalizable expenditures related to construction projects. These actions are expected to improve the completeness and accuracy of Construction in Progress reporting going forward.

Proposed Completion Date: June 30, 2026

CITY OF HENDERSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2025

None reported.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
<u>Federal Awards:</u>				
U.S. Department of the Treasury				
Pass-Through Program - N.C. Department of Environmental Quality				
CW SRP ARPA Grants "At Risk"	21.027	SRP-W-ARP-0031	\$ 387,748	\$ -
DW AIA ARPA Grants	21.027	AIA-D-ARP-0091	30,018	-
Stormwater (SW) ARPA - Earmarks SL2021-180, Section 12.14.(b)	21.027	SRP-SW-ARP-0034	225,300	-
Stormwater (SW) ARPA - Const Grants	21.027	SW-ARP-0012	347,525	-
Total N.C. Department of Environmental Quality			<u>990,591</u>	<u>-</u>
U.S. Department of Homeland Security				
Pass-Through Program - N.C. Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>6,038,657</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Ashe Street Community	14.228	19-C-3128(NR)	199,513	-
Neighborhood Revitalization	14.218	23-C-4167	<u>1,830</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>201,343</u>	<u>-</u>
U.S. Department of Justice				
Direct Programs:				
Equitable Sharing Program	16.922		<u>2,235</u>	<u>-</u>
Total US Dept of Justice			<u>2,235</u>	<u>-</u>
U.S. Environmental Protection Agency				
Pass-Through Program - N.C. Department of Environmental Quality				
Drinking Water State Revolving Fund (DWSRF) Cluster	66.468	H-SRF-F-20-1940	1,751,772	-
Lead Service Line Investigation and Replacement	66.468	SRF-D-LSL-0031	46,179	-
Clean Water Act. Sec. 201(g)(1)(B) Under Sec. 319(h)	66.460	CW34334	6,500	-
Sewer Replacement	66.458	CS370444-12	<u>654,286</u>	<u>-</u>
Total EPA - Grant and Loan			<u>2,458,737</u>	<u>-</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
U.S. Department of Transportation				
Pass-Through Program - NC Department of Transportation:				
Federal Highway Administration	20.205	BL-0008	150,197	-
Total Department of Transportation			150,197	-
U.S. Department of Agriculture				
Community Facilities Loans and Grants (Loan Balances)	10.766		10,352,411	-
Total Federal Awards			20,194,171	-
<u>State Awards:</u>				
N.C Department of Environmental Quality				
Division of Water Infrastructure:				
Connect NC Bond Program		H-SRP-D-17-0132	-	7,200
Community Waste Reduction & Recycling Grant Program		CW49917	-	27,690
Drinking Water State Reserve Loan		H-SRP-D-18-0174	-	957,372
S.L. 2023-134 Appropriations Act Direct Project		SRP-W-134-0060	-	1,475,575
Total Department of Environmental Quality			-	2,467,837
N.C. Office of State Budget and Management				
SCIF Directed Grants		10161	-	207,895
N.C. Department of Transportation				
Powell Bill Program		DOT-4	-	196,651
N.C. Department of State Treasurer				
Statewide Cashflow Loan Program		HELENE50176R1000000000	-	1,172,005
N.C. Department of Natural and Cultural Resources				
North Carolina Land and Water Fund			-	118,070
N.C. Parks and Recreation Trust Fund (PARTF)		2021-926		29,088
Total Department of Natural Resources				147,158
Total State Awards			-	4,191,546
Total Federal and State Awards			\$ 20,194,171	\$ 4,191,546

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
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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, 2025. 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. Loans Outstanding

The City of Hendersonville had the following loan balances outstanding at June 30, 2025 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2025 consist of:

<u>Program Title</u>	<u>Assistance Listing No.</u>	<u>State/Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
United States Department of Agriculture	10.766	n/a	\$ 10,352,411
Statewide Cashflow Loan Program	n/a	DST-1	1,172,005