

CITY OF HENDERSONVILLE
NORTH CAROLINA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the fiscal year ended
June 30, 2015

Prepared by City of Hendersonville Finance Department

CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>EXHIBIT NUMBER</u>	<u>PAGE NUMBER</u>
INTRODUCTORY SECTION		
Letter of Transmittal		vii
Certificate of Achievement in Financial Reporting		xiii
Organizational Chart		xiv
List of Elected and Appointed Officials		xv
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	15
Statement of Activities	2	16-17
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	18-19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	20-21
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	5	22
Statement of Fund Net Position - Proprietary Funds	6	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	7	24
Statement of Cash Flows - Proprietary Funds	8	25-26
Statement of Fiduciary Net Position - Fiduciary Fund	9	27
Notes to the Financial Statements		28-62
Required Supplementary Information:		
Public Safety Employees Retirement System:		
Analysis of Funding Progress	A-1	63
Schedule of Employer Contributions	A-2	64
Other Post-employment Benefits:		
Analysis of Funding Progress	A-3	65
Schedule of Employer Contributions	A-4	66

CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>EXHIBIT NUMBER</u>	<u>PAGE NUMBER</u>
Required Supplementary Information: (continued)		
Local Government Employees Retirement System:		
Schedule of Proportionate Share of the Net Pension		
Asset/Liability	A-5	67
Schedule of Contributions	A-6	68
Firefighters and Rescue Squad Workers' Pension:		
Schedule of Proportionate Share of the Net Pension		
Asset/Liability	A-7	69
General Fund:		
Schedule of Revenues, Expenditures and Changes in		
Fund Balance -- Budget and Actual	B-1	70-75
Capital Reserve Fund:		
Schedule of Revenues, Expenditures and Changes in		
Fund Balance -- Budget and Actual	B-2	76
Non-Major Governmental Funds:		
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet -- Non-major Governmental Funds	C-1	77-78
Combining Statement of Revenues, Expenditures and		
Changes in Fund Balance -- Non-major Governmental Funds	C-2	79-80
Special Revenue Funds:		
Downtown Tax District Fund:		
Schedule of Revenues, Expenditures and Changes in		
Fund Balance -- Budget and Actual	C-3	81
Seventh Avenue Tax District Fund:		
Schedule of Revenues, Expenditures and Changes in		
Fund Balance -- Budget and Actual	C-4	82
Governor's Highway Safety Program -		
Bike Safe Hendersonville Program Grant Fund		
Schedule of Revenues and Expenditures --		
Budget and Actual from Inception	C-5	83
Governor's Highway Safety Program -		
Schedule of Revenues and Expenditures --		
Budget and Actual from Inception	C-6	84
Oklawaha Greenways Phase 3 Project Grant Fund:		
Schedule of Revenues and Expenditures --		
Budget and Actual from Inception	C-7	85

CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>EXHIBIT NUMBER</u>	<u>PAGE NUMBER</u>
Capital Projects Funds:		
Sidewalk Construction Project:		
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	D-1	86
Highway 64 Sidewalk Grant Project:		
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	D-2	87
East Side Fire Station Construction Project:		
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	D-3	88
Mud Creek Dump Project:		
Schedule of Revenues and Expenditures -- Budget and Actual from Inception	D-4	89
Enterprise Funds:		
Water and Sewer Fund:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP)	E-1	90-92
Environmental Service Fund:		
Environmental Service Fund - Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP)	E-2	93
Water and Sewer Capital Project Funds:		
Britton Creek Watershed Project		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-3	94
Academy Road Waterline Project		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-4	95
Wolfpen Sewerline Project:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-5	96
Jackson Park Sewer Interceptor Project:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-6	97
Shepherd Street / Atkinson Elementary Sewer line Project:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-7	98
Water Treatment Plant Project:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-8	99
Etowah Project:		
Schedule of Revenues and Expenditures -- Budget and Actual (NON-GAAP) from Inception	E-9	100

CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>EXHIBIT NUMBER</u>	<u>PAGE NUMBER</u>
Internal Service Funds:		
Health and Welfare Fund:		
Schedule of Revenues, Expenditures, and Changes -- Budget and Actual (NON-GAAP)	F-1	101
Agency Funds:		
Fines and Forfeitures Agency Fund -- Statement of Changes in Assets and Liabilities	G-1	102

SCHEDULES SECTION

Property Taxes		
General Fund:		
Schedule of Ad Valorem Taxes Receivable	H-1	103
City-Wide Levy -- Analysis of Current Tax Levy	H-2	104
General Fund (Secondary Market Disclosure):		
City-Wide Levy -- Analysis of Current Tax Levy	H-2a	105
City-Wide Levy -- Principal Taxpayers	H-2b	106
Downtown Tax District Fund --		
Schedule of Ad Valorem Taxes Receivable	H-3	107
Analysis of Current Tax Levy	H-4	108
Seventh Avenue Tax District Fund --		
Schedule of Ad Valorem Taxes Receivable	H-5	109
Analysis of Current Tax Levy	H-6	110

STATISTICAL SECTION

Net Position by Component	111-112
Changes in Net Position	113-116
Fund Balances of Governmental Funds	117-118
Changes in Fund Balances of Governmental Funds	119-122
Assessed Value and Estimated Actual Value of Taxable Property	123-124
Property Tax Rates - Direct and Overlapping Governments	125-126
Principal Property Taxpayers	127
Property Tax Levies and Collections	128-129
Ratios of Outstanding Debt by Type	130-131
Ratios of General Bonded Debt Outstanding	132
Direct and Overlapping Governmental Activities Debt	133
Legal Debt Margin Information	134-135
Demographic and Economic Statistics	136
Principal Employers	137
Full-time Equivalent City Government Employees by Function	138-139
Operating Indicators by Function/Program	140-141
Capital Asset Statistics by Function	142-143

CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	144-145
Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance In Accordance With OMB Circular A-133; and the State Single Audit Implementation Act	146-147
Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133; and the State Single Audit Implementation Act	148-149
Schedule of Findings and Questioned Costs	150-151
Corrective Action Plan	152
Summary Schedule of Prior Year Audit Findings	153
Schedule of Expenditures of Federal and State Awards	154-155





**INTRODUCTORY
SECTION**



**Letter of
Transmittal**

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

CITY OF HENDERSONVILLE

The City of Four Seasons

FINANCE DEPARTMENT
Lisa A. White, CPA, CGFO
Finance Director

OFFICERS:
JOHN F. CONNET
City Manager
SAMUEL H. FRITSCHNER
City Attorney
TAMMIE K. DRAKE
City Clerk

October 9, 2015

To the Mayor, Members of City Council, City Manager and Citizens of the City of Hendersonville:

North Carolina General Statute 159-34 states that "each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards." Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hendersonville for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City of Hendersonville. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hendersonville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hendersonville's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the City of Hendersonville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hendersonville's financial statements have been audited by Carland & Andersen, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hendersonville for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hendersonville's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

145 Fifth Ave. E.
Hendersonville, NC 28792-4328

Phone: 828.697.3000
Fax: 828.697.5894
www.Cityofhendersonville.org

designed to complement the MD&A and should be read in conjunction with it. The City of Hendersonville's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Hendersonville was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. The final certified estimate of the July 1, 2014 permanent resident population of the City of Hendersonville, as provided in September 2015 by the North Carolina Office of State Budget and Management is 13,663.

The City encompasses an area of 6.80 square miles and is located on a mountain plateau 2,200 feet above sea level. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The City is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 48 inches, average summer temperature of 71 degrees, average winter temperature of 39 degrees and average snowfall of 15 inches, Hendersonville is known as the "*City of Four Seasons.*" This moniker was given to the City more than 50 years ago by a local weatherman, the late Kermit Edney.

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

The City is authorized by the *Machinery Act of North Carolina* to levy a property tax on both real and personal property located within its legal boundaries. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and water and sewer service to more than 65,000 people is provided by the City.

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hendersonville operates. Hendersonville's financial position remains strong and should remain strong in the foreseeable future based on current trends and economic indicators. The City still needs to continue to explore for new methods of securing financial resources and seek ways to control expenditures in order to provide its citizens with a high quality of service.

Local Economy

The City has a strong economy with a solid residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, community college system, agriculture, health care, 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, and logistics and distribution facilities.

There are more than 138 manufacturers in Henderson County producing globally-recognized products that add value to our local economy. An advanced manufacturing cluster has been cultivated and encouraged driving significant employment and investment in the automotive, outdoor recreation, food and beverage, advanced materials, metals and plastics sectors. Among the largest employers in the area are Continental, Wilsonart International, General Electric Lighting, Meritor, and Wal-Mart.

Henderson County has a labor force of approximately 50,000 persons, and one of the lowest unemployment rates in the state at 4.6% as of September 2015, as compared to the national rate of 5.7%. In the first quarter of 2015, manufacturers averaged an annual payroll of over \$265 million, resulting in an average annual manufacturing wage of \$51,000.

Several industrial parks are located within the County in addition to sites with quality infrastructure and access. The Henderson County Partnership for Economic Development is a non-profit organization that serves as the professional economic development entity for the County and municipalities, managing existing industry, marketing, product development and advocacy programs while positively impacting the employment and investment economy.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and agriculture to the region. Apples, which were first planted at the end of the 18th century, continue to be a vital part of the economy today with sales averaging \$31 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. The County has 5,660 acres in apple production spread across 117 farms and produces 85% of the apples grown in North Carolina, which ranks 7th in the US. The mountain climate and soils are conducive to producing excellent fruit color and flavor.

Agriculture in Henderson County is more than just apple production. Indeed, the County is home to 468 farms producing other crops and protein products. Henderson County is also a major grower of tomatoes and sweet corn (#2 and #3 in state rankings) and is third in NC in combined fruit, vegetable, and berry production. In addition to its prominence in food crops, Henderson County is the second highest producer in the state's "green industry" (greenhouse, ornamental plants and sod production) and is the eighth largest producer of dairy products. Agriculture constitutes about a fifth of the overall economic productivity, making Henderson County a major center for the agricultural industry here in Western North Carolina.

"Value-added" farm products and "local grown" are emerging markets for wholesale and retail sales. This includes the production of wine and cider and other processed farm items. Consumer demand for food produced locally has risen sharply and Henderson County is benefiting as it has a wide variety of agricultural products and is promoting them through a local branding campaign. Retail markets are expanding, along with packing and wholesale distribution facilities. Also, Tri-Hishtil, a grafted vegetable plant producer, held a ground breaking for its new operations in the County during the spring of 2015 and the company expects to be in operation during the spring 2016 growing season. This is expected to bring 125 new jobs to Henderson County. The global nursery company will be a neighbor to Van Wingerden International, a large grower of flowering plants in Mills River. These greenhouse operations are among the top companies in the County for number of employees and have national significance for facility size and plants produced. In all its various forms, the agricultural/agribusiness industries mean close to \$500 million dollars to our local economy each year and account for over 8,000 jobs. This sector should continue to prosper as more and more people become environmentally conscious. The County also has a

different kind of agricultural market known as “entertainment farming” or “agritourism” that began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours, “pick your own” operations, wine tastings, and vineyard tours. This facet of agriculture is a natural for the area and is expected to grow as more tourists and outdoor enthusiasts discover its existence. The agricultural-related industrial sector should continue to prosper and the increased demand for locally produced products has potential to help sustain family and commercial farms and provide economic and environmental benefits to the community.

Long-term Financial Planning

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

Relevant Financial Policies

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.

It is also the City's policy that “one-time” nonrecurring revenue resource inflows from outside agencies not be used for operating purposes. This policy also pertains to sources of funding received from grants.

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

The City established an Unassigned Fund Balance policy with a goal for unassigned fund balance for the General Fund in the range of twenty-five to thirty-five percent (25%-35%) of budgeted expenditures and establishes a goal for the Water and Sewer Fund of between fifty to seventy-five percent (50%-75%) of budgeted expenditures. This range sets the goal at a minimum of approximately four months of the next fiscal year's annual budgeted expenditures. The City may adjust this goal as appropriate based upon the recommendation from the NC Local Government Commission and any change in the City's financial outlook. Total unassigned fund balance in the General Fund equaled 44 percent of total General Fund budgeted expenditures as of June 30, 2015.

Major Initiatives

The City purchased and prepared a parcel of land as part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College. This one of a kind partnership will provide a sustainable health sciences educational facility for the residents of Henderson County and the region.

Fiscal year 2015 saw the continuance of street maintenance as a major initiative for the City. City Council committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing.

Several major construction projects were continued or completed during the fiscal year ended June 30, 2015. These engineering initiatives included multiple sewer improvement projects. It also included the third phase of the greenway initiative. All of these projects received financial assistance from state funds or nonprofit grants.

Jackson Park Sewer Interceptor Project

The Jackson Park Sewer Interceptor Project was a gravity sewer project that began in April 2014. It was intended to eliminate a large pump station, then in use, and was substantially completed as scheduled in July 2015. Total cost for the project was \$5,671,785 with \$4,340,600 received from a 20 year low interest rate loan from the State Revolving Loan Fund. The remaining funds for the project came from a transfer from the Water and Sewer Fund.

Shepherd Creek Sewer Interceptor/Atkinson Project

A similar interceptor project was initiated for the Sheppard Creek/Atkinson Elementary area. This project included the installation of a pump station and force main to correct for a failed septic system at Atkinson Elementary. In addition, it included gravity sewer elements to eliminate 3 other pump stations (2 public, 1 private). Project construction was initiated in April 2014 with a scheduled completion date of October 2015. Total cost for the project is expected to be \$2,905,790 with \$1,815,000 to be received from a 20 year low interest rate loan from the State Revolving Loan Fund.

Wolfpen Sewer Interceptor Project

Another sewer interceptor project was conducted in the Wolfpen Subdivision area. This gravity sewer project was initiated in order to eliminate 2 pump stations and a waste management plant. Construction began in June 2014 with a completion date of June 2015. Total cost for the project was \$3,038,000 with \$2,867,595 funding received from a 20 year low interest rate loan from the State Revolving Loan Fund. The remaining funds for the project came from a transfer from the Water and Sewer Fund.

Mud Creek Dump Project

During 2015, the City began a project to conduct an environmental assessment of the Mud Creek Dump area which was a pre-1983 landfill. The City will be eligible for reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDENR. The project is currently in the planning phase.

Oklawaha Greenway Project – Phase 3

This grant project consists of the construction of the 3rd phase of the Oklawaha Greenway along Mud Creek with 10 foot-wide, paved surface which will extend approximately 9,000 linear feet from the south of Main Street, where Phase 2 of the Greenway ended, to Balfour Road. Phase 3 of the project will connect Patton Park to Berkeley Park. The total budgeted cost is \$1,200,000 with federal grant funding and matching funds provided by the NCDOT.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014. This was the twenty-sixth consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Lisa A. White". The signature is written in black ink and is positioned above the printed name.

Lisa A. White, CPA, CGFO
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

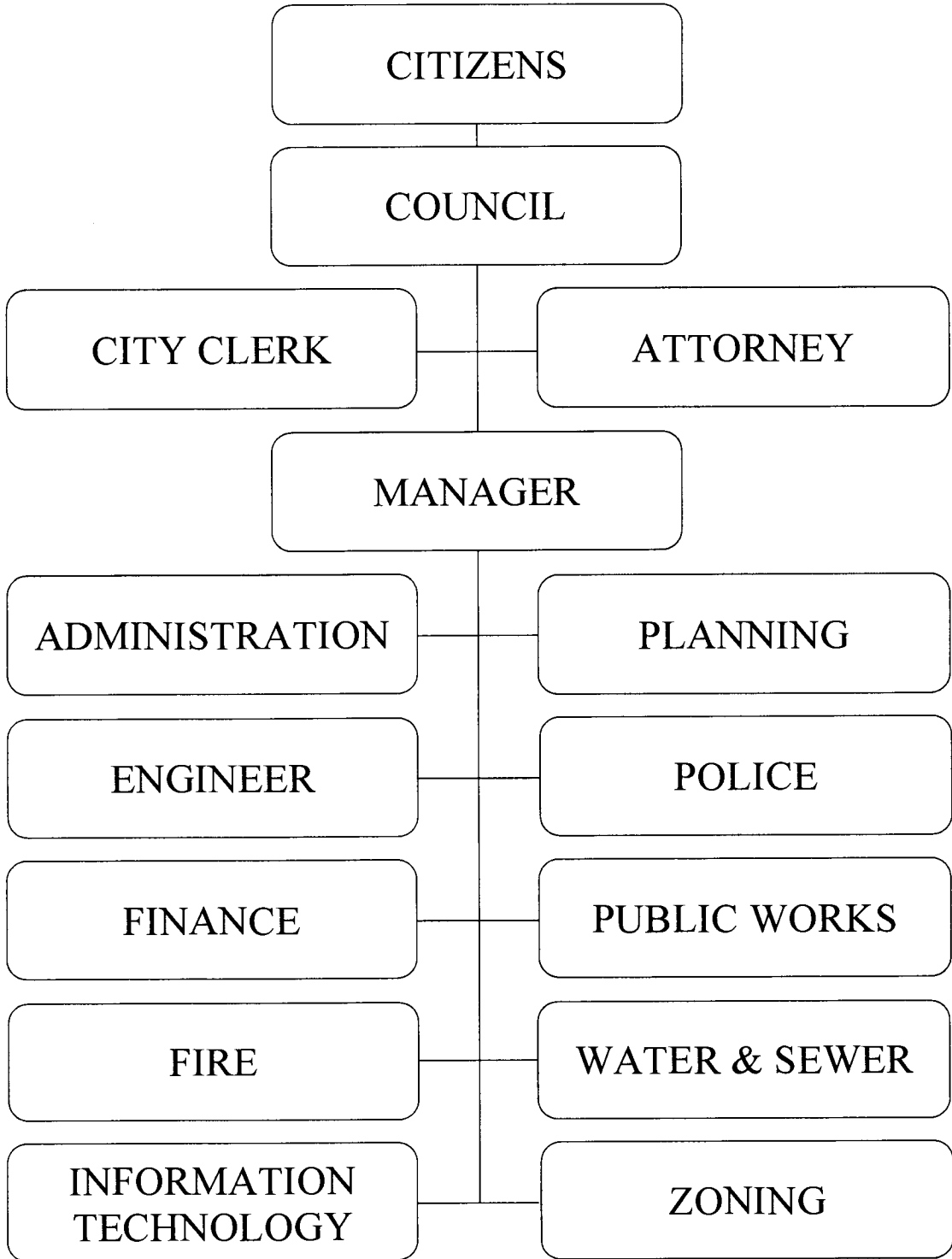
**City of Hendersonville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**CITY OF HENDERSONVILLE
NORTH CAROLINA
Organizational Chart**



**CITY OF HENDERSONVILLE
NORTH CAROLINA
OFFICIALS**

CITY COUNCIL

Mayor Barbara Volk
Mayor Pro-Tem Ron Stephens
Steve Caraker
Jerry A. Smith, Jr.
Jeffery Lane Miller

CITY STAFF

City Manager John F. Connet
City Clerk Tammie K. Drake
City Attorney Samuel H. Fritschner
Finance Director Lisa White



**FINANCIAL
SECTION**



**Independent
Auditors'
Report**

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hendersonville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Hendersonville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages four through 14, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions on pages sixty-three through sixty-six, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset), on pages sixty-seven through sixty-nine be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical schedules, and the schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit

Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, the combining and individual fund 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015 on our consideration of the City of Hendersonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Hendersonville, North Carolina
October 9, 2015



**Management's
Discussion and
Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hendersonville, we offer readers of The City of Hendersonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

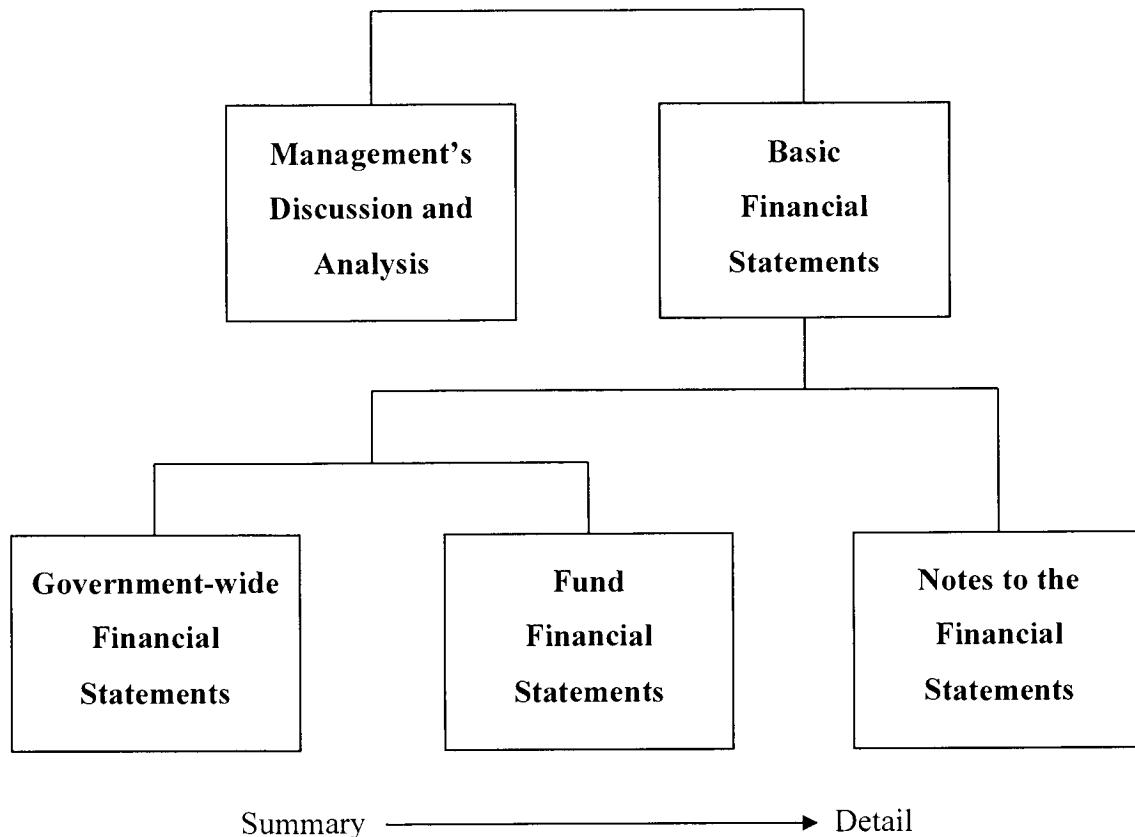
- The assets and deferred outflows of resources of the City of Hendersonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$102,467,321 (Total net position for Primary Government).
- The City of Hendersonville's total net position decreased by \$573,321 due in part to an increase in long-term liabilities of the Water and Sewer fund.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,220,293, a decrease of \$493,081 or 5% percent in comparison with the prior year. The decrease is due to budgeted use of fund balance to pay the principal and interest of the long term debt to refurbish City Hall.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was \$6,200,178. The entire unassigned amount is in the General Fund and is 45% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City of Hendersonville's financial status as a whole.

The two government-wide statements report the City's net 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 Hendersonville's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities include most of the City's basic services such as public safety, public works, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and sanitation services offered by the City. The final category is the component unit. Although legally separate from the City, the Hendersonville ABC Board is important to the City because the City exercises control over the Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute 50 percent of its profits to the City of Hendersonville. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see *Figure 2*) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hendersonville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of Hendersonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the **Statement of Net Position** and the **Statement of Activities**) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

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

Proprietary Funds – The City of Hendersonville utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Hendersonville uses enterprise funds to account for its water and sewer activity and for its environmental service operations. 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*.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally to the City of Hendersonville's various functions. The City uses an internal service fund to account for the management of its retained risks associated with a modified type of self-insurance fund for medical insurance that the City provides for its employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. The accounting used for fiduciary funds is much like that use for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate. The *Notes to the Financial Statements* are on pages 28-62 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) is mandated by the Governmental Accounting Standards Board (GASB) and can be found beginning on page 63 of this report.

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

Government-Wide Financial Analysis

The City of Hendersonville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 10,994,095	\$ 10,001,774	\$ 27,366,131	\$ 28,050,443	\$ 38,360,226	\$ 38,052,217
Capital assets	24,703,912	24,633,435	74,984,800	79,682,915	99,688,712	104,316,350
Restricted net pension assets	-	418,163	-	349,983	-	768,146
Deferred outflows of resources	-	368,675	-	328,400	-	697,075
Total assets and deferred outflows of resources	<u>\$ 35,698,007</u>	<u>\$ 35,422,047</u>	<u>\$ 102,350,931</u>	<u>\$ 108,411,741</u>	<u>\$ 138,048,938</u>	<u>\$ 143,833,788</u>
Long-term liabilities outstanding	\$ 9,347,852	\$ 8,845,044	\$ 18,766,370	\$ 24,707,792	\$ 28,114,222	\$ 33,552,836
Other liabilities	1,722,951	1,533,973	5,049,694	4,403,950	6,772,645	5,937,923
Deferred inflows of resources	121,429	1,005,494	-	870,214	121,429	1,875,708
Total liabilities and deferred inflows of resources	<u>\$ 11,192,232</u>	<u>\$ 11,384,511</u>	<u>\$ 23,816,064</u>	<u>\$ 29,981,956</u>	<u>\$ 35,008,296</u>	<u>\$ 41,366,467</u>
Net Position:						
Net investment in capital assets	\$ 17,860,656	\$ 17,342,281	\$ 54,082,358	\$ 52,399,169	\$ 71,943,014	\$ 69,741,450
Restricted	2,337,928	2,309,638	-	-	2,337,928	2,309,638
Unrestricted	4,307,191	4,385,617	24,452,509	26,030,616	28,759,700	30,416,233
Total net position	<u>\$ 24,505,775</u>	<u>\$ 24,037,536</u>	<u>\$ 78,534,867</u>	<u>\$ 78,429,785</u>	<u>\$ 103,040,642</u>	<u>\$ 102,467,321</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Hendersonville exceeded liabilities and deferred inflows by \$102,467,321 as of June 30, 2015. Hendersonville's net position decreased by \$573,321 for the fiscal year ended June 30, 2015 due to the increase in long-term liabilities in the Water and Sewer Fund. However, the largest portion of net assets (68%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,416,233 is unrestricted. Also, the City of Hendersonville implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,033,584. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Hendersonville's management.

City of Hendersonville's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 499,795	\$ 439,126	\$ 15,202,233	\$ 15,858,705	\$ 15,702,028	\$ 16,297,831
Operating grants & contributions	433,681	680,540	-	-	433,681	680,540
Capital grants and contributions	60,079	53,783	580,014	1,177,512	640,093	1,231,295
General revenues:					-	-
Property taxes	7,289,030	7,745,067	-	-	7,289,030	7,745,067
Other taxes & fees	4,074,979	4,642,868	-	-	4,074,979	4,642,868
Grants & contributions not restricted to specific programs	379,744	-	-	-	379,744	-
Other revenue	85,109	287,499	192,501	249,573	277,610	537,072
Total revenues	<u>\$ 12,822,417</u>	<u>\$ 13,848,883</u>	<u>\$ 15,974,748</u>	<u>\$ 17,285,790</u>	<u>\$ 28,797,165</u>	<u>\$ 31,134,673</u>
Expenses:						
General government	\$ 2,374,428	\$ 2,813,625	\$ -	\$ -	\$ 2,374,428	\$ 2,813,625
Public safety	6,604,475	6,702,566	-	-	6,604,475	6,702,566
Transportation	2,375,395	2,795,044	-	-	2,375,395	2,795,044
Environmental protection	626,450	484,528	-	-	626,450	484,528
Economic and physical development	455,811	428,450	-	-	455,811	428,450
Culture and recreation	215,403	537,955	-	-	215,403	537,955
Interest on long-term debt	346,513	318,140	-	-	346,513	318,140
Water and Sewer Fund	-	-	12,815,116	16,047,518	12,815,116	16,047,518
Environmental Services Fund	-	-	1,344,981	1,178,355	1,344,981	1,178,355
Total expenses	<u>\$ 12,998,475</u>	<u>\$ 14,080,308</u>	<u>\$ 14,160,097</u>	<u>\$ 17,225,873</u>	<u>\$ 27,158,572</u>	<u>\$ 31,306,181</u>
Increase in net position before transfers	\$ (176,058)	\$ (231,425)	\$ 1,814,651	\$ 59,917	\$ 1,638,593	\$ (171,508)
Transfers	(228,720)	-	228,720	-	-	-
Increase in net position	(404,778)	(231,425)	2,043,371	59,917	1,638,593	(171,508)
Net position, July 1 (consolidated)	24,910,553	24,815,311	76,491,496	78,857,102	101,402,049	103,672,413
Net position, beginning (restated)	24,910,553	24,268,961	76,491,496	78,369,868	101,402,049	102,638,829
Net position, June 30	<u>\$ 24,505,775</u>	<u>\$ 24,037,536</u>	<u>\$ 78,534,867</u>	<u>\$ 78,429,785</u>	<u>\$ 103,040,642</u>	<u>\$ 102,467,321</u>

Governmental Activities: Governmental activities decreased the City of Hendersonville's net position by \$231,425. The key element of this decrease is due to the purchase of property for a joint economic development project.

Business-type Activities: Business-type activities increased the City's net position by \$59,917. The primary reason for the increase is continued growth of revenue from water and sewer tap fees and system development charges.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Hendersonville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,200,178 with a total fund balance of \$8,103,727, a decrease of \$6,968 of unassigned fund balance over the prior year. The use of fund balance was budgeted at \$1,167,382 primarily to provide for the purchase of property for an economic development project, however very little of this appropriation was used due to several increases of revenue detailed below. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 44 percent of total General Fund budgeted expenditures as of June 30, 2015.

At June 30, 2015, the governmental funds of the City of Hendersonville reported a combined total fund balance of \$9,220,293 a 5% decrease over last year.

Overall, the General Fund actual operating revenues of \$13,132,743 were \$875,975 or 7.15% higher than the fund's prior year operating revenues primarily due to the following:

- Property Tax collections were \$356,661, or 5% higher than the previous year due to a three (0.03) cent property tax increase for fiscal year 2015 along with a slight increase in property values.
- Sales & Use tax collections were \$257,403 over the prior year. This was an unexpected increase as the State as a whole is seeing increased consumer confidence. The statewide average saw an estimated 3.5% increase, however Hendersonville's Sales & Use Tax collections increased almost 11% over the prior year.
- Utility Franchise Tax revenues were 35%, or \$230,829 higher than the prior year collections due to the change in distribution method for the electricity sales tax, along with that of the sales tax on piped natural gas, due to tax reform in the General Assembly. The law will hold cities harmless and any additional funds will be distributed to cities on an ad valorem basis.

Revenues in the Non-Major Funds only increased by \$1,231.

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.

During the year there was an increase in appropriations between the original and final amended General Fund budget totaling \$208,735. Following are the components of the increase:

- \$25,000 for a Parking Study – August 2014
- \$133,735 for mid-year revenue adjustments – February 2015
- \$50,000 for assistance to the Flat Rock Playhouse – March 2015 for additional appropriation to assist in mold remediation costs

Several positive factors contributed to the actual General Fund Revenues increasing (7%) over budgeted revenues. These include:

- Property Tax collections were (2%), or \$169,398 higher than the amount budgeted, as the property tax collection rate was higher than estimated. The City continues to have a very good collection rate, as Tax collections for fiscal year 2015 are currently at 98% collected.
- Sales & Use tax collections exceeded the budgeted amount \$222,658, a (9%) increase.
- Utility Franchise Tax and Piped natural gas tax combined came in \$256,892 or 41% over budget due to the changes in the state distribution method explained in the earlier paragraph.
- Investment Income received was 90% or \$24,860 over the budgeted amount due to additional amounts being invested according to the investment policy adopted in the prior year.

All General Fund departments stayed within the appropriated budgets. In total, the General Fund expenditures came in \$268,250 or 2% under the \$14,110,162 budgeted for the fiscal year.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide statements but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year totaled \$25,531,004 which was a 5.5% increase over the prior year of \$24,203,158. The Environmental Services Fund (ESF) total unrestricted net position was \$499,612 at June 30, 2015 compared to the prior year total of \$448,664.

Water & Sewer Fund:

- Water Sales increased \$205,710 or 2% over the prior year and was approximately 1% higher than budgeted. There was an increase of approximately 300 new accounts during the fiscal year and water production and usage was higher than in the prior fiscal year. There were no changes in rates for fiscal year 2015.
- Water Permits & Fees Revenue is \$336,403 or 50% higher than the amount collected in the prior year due to Water System Development charges coming in higher than was estimated. The largest part of this increase was due to the construction of apartment buildings in the Fletcher area.
- Investment Income is \$119,316 higher than the amount earned in the prior year due to the finance department investing idle cash according to the investment policy adopted during the prior year.

Environmental Services Fund:

- Operating revenues were \$88,994 over the prior year revenue due to the rate increase during the 14-15 budget.
- Net position increased by \$61,270 for a total unrestricted net position of 43% or \$499,612.
- This was the first year that the fund did not have to rely on a transfer from the General Fund, due to changes in the rate structure.

Capital Asset and Debt Administration

Capital Assets. Hendersonville's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totaled \$104,316,350 (net of accumulated depreciation). This was an increase \$4,627,638 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- The purchase and preparation of the Wingate property in the General Fund. This purchase is part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College.
- Other Governmental Fund capital items included replacement of several police vehicles, purchase of salt spreaders, lawnmowers, fire safety equipment and software.

- Water system capital included water line improvements, pump station generators, and SCADA panel replacements along with the continued work on several capital projects.

City of Hendersonville's Net Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 2,882,721	\$ 3,618,211	\$ 1,780,512	\$ 1,837,360	\$ 4,663,233	\$ 5,455,571
Buildings	4,514,103	4,338,405	951,909	910,411	5,466,012	5,248,816
Other Improvements	1,375,685	985,445	24,090	109,668	1,399,775	1,095,113
Machinery and equipment	2,136,224	2,130,397	12,756,352	9,526,697	14,892,576	11,657,094
Infrastructure	10,509,187	9,868,452	56,943,739	55,010,122	67,452,926	64,878,574
Other (Intangibles)	16,632	42,416			16,632	42,416
Construction in progress	3,578,896	3,650,109	2,850,436	12,288,657	6,429,332	15,938,766
Total	\$ 25,013,448	\$ 24,633,435	\$ 75,307,038	\$ 79,682,915	\$ 100,320,486	\$ 104,316,350

The chart above reflects the City's capital assets net of accumulated depreciation.

Capital asset purchases are part of the City's Five Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on Hendersonville's capital assets can be found in *Note III* of the *Notes to the Financial Statements* on pages 41 and 42 for the Primary Government, and page 43 for the Alcohol Beverage Control Board which is classified as a Component Unit for the City of Hendersonville.

Long-term Debt. As of June 30, 2015, Hendersonville had total bonded debt outstanding of \$1,870,000. Of this total debt, the entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans secured solely by lien on the particular assets financed.

City of Hendersonville's Outstanding Debt
General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
General Obligation Bonds	\$ 2,060,000	\$ 1,870,000	\$ -	\$ -	\$ 2,060,000	\$ 1,870,000
Total	\$ 2,060,000	\$ -	\$ -	\$ -	\$ 2,060,000	\$ 1,870,000

City of Hendersonville's Outstanding Debt

In September 2014 Standard and Poor's Corporation upgraded the Cities bond rating from an AA- to AA due to improving economic conditions, strong management oversight and a healthy fund balance. The City maintained the Aa2 rating from Moody's Investor Service. These bond ratings are a clear indication of the sound financial condition of the City of Hendersonville. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Hendersonville is \$100,294,874.

Additional information regarding the City of Hendersonville's long-term debt can be found in *Note III: Long-Term Debt* on pages 56-59 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

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

- Areas such as Hendersonville, which are seeing growths in local construction activity, distribution of building permits, and tourism activity are expected to continue to have higher increases in Sales & Use Tax collection than the state averages.
- The County's unemployment rate continues to be one of the lowest in the state as of June 30, 2015.
- Commercial growth is increasing as the Asheville Metropolitan Area continues to grow and have a favorable impact on the City.
- The City of Hendersonville staff is continuing to work with the Henderson County Partnership for Economic Development and property owners to develop potential industrial and commercial sites to diversify our tax base.
- The unassigned fund balance of the General fund is \$6,200,178 as of June 30, 2015. This healthy reserve provides cash flow flexibility and credit strength through strong liquidity.

Budget Highlights for the Fiscal Year Ending June 30, 2016

The City of Hendersonville developed a new strategic plan during the budget implementation for fiscal year 2016. This process included 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 FY2016 operating budget totals \$32,456,041 for the City's five major operating funds. This is \$830,726 or 2.63% higher than the FY2015 budget, primarily to provide funding for Water & Sewer capital projects.

Governmental Activities:

The ad valorem real estate tax base increased slightly during the revaluation during 2015 but this increase was offset partially by a decrease in personal property valuation estimates for the budget year. A two cent (\$0.02) tax increase was budgeted for the General Fund in Fiscal year 2016 which is expected to generate \$340,000 in additional revenue. This tax increase was necessary because the North Carolina General Assembly revoked Privilege License Taxes resulting in a \$386,000 loss in annual revenue for the City.

The fiscal year 2016 expenditure budget for the General fund totals \$13,570,033 or 2.42% below the prior year budget. The General Fund budget for fiscal year 2016 continues City Council's commitment to street maintenance as a major initiative for the fiscal year. One cent of the property tax levy was allocated to increase the expenditure budget for street resurfacing. This was the second year that the Council allocated additional funding to street improvements.

Business-type Activities:

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for over 51% of total expenditures. The fiscal year 2016 operating budget for the Water and Sewer fund totals \$6,907,776 or 2.84% higher than the prior fiscal year. No rate increases were proposed for the fiscal year.

The Water and Sewer fund has \$7,866,600 fund balance appropriated in next year's budget to transfer to capital project funds per the capital improvement plan. In addition to these major project initiatives, a strong emphasis was put on reinvesting Water and Sewer Fund retained earnings back into the system in a way that benefits all of our customers inside the City as well as outside of the City limits. The FY2016 budget allocates \$800,000 for general water and sewer maintenance and repairs to the lines and infrastructure.

The Environmental Service Fund budgeted operating expenditures increased by 11.89% to \$1,254,398 in next year's budget. The increase is primarily due to the new debt service principal and interest which will be due on the new garbage truck purchased during the fiscal year. The capital outlay in the fund, including the truck purchase will total \$256,850.

Capital Improvement Plan

The City of Hendersonville's Capital Improvement Plan (CIP) represents a multiyear forecast of the City's capital needs. The City prepares this five year CIP to function as a planning tool. The current year schedule is adopted by City Council along with the annual operating budget.

Some of the major governmental capital improvement projects planned in next year's budget include annual street resurfacing, parking kiosks, police vehicle replacement, salt spreaders, Tracey Grove Bridge replacement, and Council chamber technology upgrades.

Several projects remain unfunded including improvements to Berkeley Mills Park, 7th Avenue Parking lot, Whitmire Center Floor Replacement, and Grey Hosiery Mill Roof Repairs.

The Water and Sewer Fund capital plan includes completion of the three major capital projects that were begun in fiscal year 2014 for Jackson Park Sewer Interceptor, Wolfpen Sewer Interceptor and the Shepherd Creek/Atkinson Sewer Interceptor. Several new projects will begin during fiscal year 2016 including the Eastside Transmission Main, Gravity Filter Replacement, Northside Water System Improvements, Scada System Upgrades and the Water Treatment Plant High Service Pump Station.

A complete copy of the fiscal year 2016 budget can be found on the City's website.

Additional Information

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

(note that the City website is under construction at the time this report was written and future changes will be made to this link).

Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, 145 Fifth Avenue East, Hendersonville, North Carolina 28792.



**Basic
Financial
Statements**

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,246,160	\$ 5,732,286	\$ 6,978,446	\$ 513,492
Investments	6,211,038	15,206,334	21,417,372	
Receivables (net)				
Taxes	179,251		179,251	
Accrued interest on investments	9,759	28,987	38,746	
Accrued interest on taxes	37,923		37,923	
Accounts	19,664	1,568,953	1,588,617	826
Grants	56,740	4,197,747	4,254,487	
Shared taxes	922,987	1,995	924,982	
Refundable taxes	110,376	238,210	348,586	
Due from component unit	22,500		22,500	
Inventories		816,159	816,159	717,365
Prepaid items	8,998	7,585	16,583	47,948
Restricted cash	1,176,378	252,187	1,428,565	
Total current assets	<u>\$ 10,001,774</u>	<u>\$ 28,050,443</u>	<u>\$ 38,052,217</u>	<u>\$ 1,279,631</u>
Noncurrent assets:				
Net pension asset	\$ 418,163	\$ 349,983	\$ 768,146	\$ 28,544
Land, non-depreciable improvements and construction in progress	7,268,319	14,126,017	21,394,336	
Other capital assets, net of depreciation	17,365,116	65,556,898	82,922,014	1,522,989
Total capital assets	<u>\$ 24,633,435</u>	<u>\$ 79,682,915</u>	<u>\$ 104,316,350</u>	<u>\$ 1,551,533</u>
Total noncurrent assets	<u>\$ 25,051,598</u>	<u>\$ 80,032,898</u>	<u>\$ 105,084,496</u>	
Total assets	<u>\$ 35,053,372</u>	<u>\$ 108,083,341</u>	<u>\$ 143,136,713</u>	<u>\$ 2,831,164</u>
Deferred outflows of resources				
Change in proportion and contribution to pension plan	\$ 368,675	\$ 328,400	\$ 697,075	\$ 29,112
Liabilities:				
Current liabilities:				
Accounts payable	\$ 281,939	\$ 638,400	\$ 920,339	\$ 437,336
Salaries payable	159,766	109,464	269,230	
Customer deposits	1,000	252,187	253,187	
Accrued interest payable	75,131	174,667	249,798	
Due to primary government				22,500
Current portion of long-term liabilities	1,016,137	3,229,232	4,245,369	30,705
Total current liabilities	<u>\$ 1,533,973</u>	<u>\$ 4,403,950</u>	<u>\$ 5,937,923</u>	<u>\$ 490,541</u>
Long-term liabilities due in more than one year	<u>\$ 8,845,044</u>	<u>\$ 24,707,792</u>	<u>\$ 33,552,836</u>	<u>\$ 73,054</u>
Total liabilities	<u>\$ 10,379,017</u>	<u>\$ 29,111,742</u>	<u>\$ 39,490,759</u>	<u>\$ 563,595</u>
Deferred inflows of resources				
Pension deferrals	\$ 1,001,942	\$ 870,214	\$ 1,872,156	\$ 54,864
Prepaid taxes	3,552		3,552	
Total deferred inflows of resources	<u>\$ 1,005,494</u>	<u>\$ 870,214</u>	<u>\$ 1,875,708</u>	<u>\$ 54,864</u>
Net position:				
Net investment in capital assets	\$ 17,342,281	\$ 52,399,169	\$ 69,741,450	\$ 1,428,313
Restricted for:				
Stabilization by State Statute	1,083,810		1,083,810	
Economic development	100,890		100,890	
Public safety	168,021		168,021	
Transportation	956,917		956,917	
Capital improvements				30,629
Working capital				173,184
Unrestricted	<u>4,385,617</u>	<u>26,030,616</u>	<u>30,416,233</u>	<u>609,691</u>
Total net position	<u>\$ 24,037,536</u>	<u>\$ 78,429,785</u>	<u>\$ 102,467,321</u>	<u>\$ 2,241,817</u>

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,813,625	\$ 39,153		
Public safety	6,702,566	76,401	\$ 140,992	\$ 53,783
Transportation	2,795,044		385,092	
Environmental protection	484,528		154,456	
Economic and physical development	428,450			
Cultural and recreational	537,955	323,572		
Interest on long-term debt	318,140			
Total governmental activities (Note 1)	<u>\$ 14,080,308</u>	<u>\$ 439,126</u>	<u>\$ 680,540</u>	<u>\$ 53,783</u>
Business-type activities:				
Water and Sewer	\$ 16,047,518	\$ 14,727,783		\$ 1,177,512
Environmental Service Fund	1,178,355	1,130,922		
Total business-type activities	<u>\$ 17,225,873</u>	<u>\$ 15,858,705</u>		<u>\$ 1,177,512</u>
Total primary government	<u>\$ 31,306,181</u>	<u>\$ 16,297,831</u>	<u>\$ 680,540</u>	<u>\$ 1,231,295</u>
Component Unit:				
ABC Board	<u>\$ 5,718,270</u>	<u>\$ 5,865,472</u>		
Total component unit	<u>\$ 5,718,270</u>	<u>\$ 5,865,472</u>		

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit ABC Board
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
Primary government:				
Governmental Activities:				
General government	\$ (2,774,472)		\$ (2,774,472)	
Public safety	(6,431,390)		(6,431,390)	
Transportation	(2,409,952)		(2,409,952)	
Environmental protection	(330,072)		(330,072)	
Economic and physical development	(428,450)		(428,450)	
Cultural and recreational	(214,383)		(214,383)	
Interest on long-term debt	(318,140)		(318,140)	
Total governmental activities (Note 1)	<u>\$ (12,906,859)</u>		<u>\$ (12,906,859)</u>	
Business-type activities:				
Water and Sewer		\$ (142,223)	\$ (142,223)	
Environmental Service Fund		(47,433)	(47,433)	
Total business-type activities		<u>\$ (189,656)</u>	<u>\$ (189,656)</u>	
Total primary government	<u>\$ (12,906,859)</u>	<u>\$ (189,656)</u>	<u>\$ (13,096,515)</u>	
Component Unit:				
ABC Board				<u>\$ 147,202</u>
Total component unit				<u>\$ 147,202</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes	\$ 7,745,067		\$ 7,745,067	
Sales taxes	2,783,936		2,783,936	
Franchise taxes	1,278,651		1,278,651	
Privilege Licenses / gross receipts tax	402,398		402,398	
Other taxes	177,883		177,883	
Unrestricted investment earnings	53,142	\$ 157,767	210,909	
Miscellaneous	234,357	91,806	326,163	
Total general revenues	<u>\$ 12,675,434</u>	<u>\$ 249,573</u>	<u>\$ 12,925,007</u>	
Change in net position	<u>\$ (231,425)</u>	<u>\$ 59,917</u>	<u>\$ (171,508)</u>	<u>\$ 147,202</u>
Net position, beginning, previously reported (restated)	\$ 24,815,311	\$ 78,857,102	\$ 103,672,413	\$ 2,094,615
Restatement	(546,350)	(487,234)	(1,033,584)	
Net position, beginning, restated	<u>\$ 24,268,961</u>	<u>\$ 78,369,868</u>	<u>\$ 102,638,829</u>	
Net position, ending	<u>\$ 24,037,536</u>	<u>\$ 78,429,785</u>	<u>\$ 102,467,321</u>	<u>\$ 2,241,817</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Exhibit 3

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,030,511	\$ 97,163	\$ 1,127,674
Restricted cash and cash equivalents	138,365	1,038,013	1,176,378
Investments	6,211,038		6,211,038
Accrued interest on investments	9,759		9,759
Prepaid items	8,805		8,805
Receivables (net)			
Taxes	168,451	10,800	179,251
Accounts	41,261	903	42,164
Grants		56,740	56,740
Shared taxes	922,987		922,987
Refundable taxes	84,253	24,913	109,166
	<u>\$ 8,615,430</u>	<u>\$ 1,228,532</u>	<u>\$ 9,843,962</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 180,864	\$ 99,236	\$ 280,100
Salaries payable	157,836	1,930	159,766
Deposits	1,000		1,000
	<u>\$ 339,700</u>	<u>\$ 101,166</u>	<u>\$ 440,866</u>
Deferred inflows of resources			
Prepaid taxes	\$ 3,552		\$ 3,552
Property taxes receivable	168,451	\$ 10,800	179,251
	<u>\$ 172,003</u>	<u>\$ 10,800</u>	<u>\$ 182,803</u>
Fund balances:			
Nonspendable			
Prepaid items	\$ 8,805		\$ 8,805
Restricted			
Stabilization by State Statute	1,058,260	\$ 25,550	1,083,810
Economic development	19,577	73,782	93,359
Public Safety	115,235	52,786	168,021
Transportation		956,917	956,917
Assigned			
Subsequent year's expenditures	701,672	7,531	709,203
Unassigned	6,200,178		6,200,178
	<u>\$ 8,103,727</u>	<u>\$ 1,116,566</u>	<u>\$ 9,220,293</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,615,430</u>	<u>\$ 1,228,532</u>	<u>\$ 9,843,962</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1 is different because:)

Total fund balance, governmental funds		\$ 9,220,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Gross capital assets at historical cost	\$ 41,734,822	
Accumulated depreciation	<u>17,101,387</u>	
Capital assets, net of depreciation		24,633,435
Net pension asset		418,163
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		359,059
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		37,923
Internal service funds are used by management to charge the costs of certain activities, such as administering employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		118,050
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Property taxes receivable		179,251
Long-term and accrued liabilities are not reported in the funds, including:		
Accrued interest payable	\$ (75,131)	
Bonds payable	(1,870,000)	
Notes payable	(6,459,167)	
Compensated absences payable	(657,426)	
Other post-employment benefits	(535,594)	
Net pension benefit-Special Separation Allowance	<u>(338,994)</u>	(9,936,312)
Pension related deferrals		<u>(992,326)</u>
Net position of governmental activities		<u><u>\$ 24,037,536</u></u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit 4

	Major Fund		Total Nonmajor Funds		Total Governmental Funds
	General Fund				
Revenues:					
Ad valorem taxes	\$ 7,428,148		\$ 238,290		\$ 7,666,438
Other taxes and licenses	402,398				402,398
Unrestricted intergovernmental	4,155,192		103,100		4,258,292
Restricted intergovernmental	546,173		62,890		609,063
Permits and fees	49,602				49,602
Sales and services	325,572		154,456		480,028
Investment earnings	52,402		692		53,094
Miscellaneous	173,256		15,075		188,331
	<u>\$ 13,132,743</u>		<u>\$ 574,503</u>		<u>\$ 13,707,246</u>
Expenditures:					
Current:					
General government	\$ 3,184,950				\$ 3,184,950
Public safety	6,633,110		\$ 186,475		6,819,585
Transportation	2,260,808		48,695		2,309,503
Environmental protection			9,107		9,107
Economic and physical development			431,801		431,801
Cultural and recreational	715,098				715,098
Debt service:					
Principal	723,333				723,333
Interest and fees	324,613				324,613
	<u>\$ 13,841,912</u>		<u>\$ 676,078</u>		<u>\$ 14,517,990</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (709,169)</u>		<u>\$ (101,575)</u>		<u>\$ (810,744)</u>
Other financing sources (uses):					
Transfers from other funds:					
Downtown Tax District	\$ 100,000				\$ 100,000
Transfers to other funds:					
General Fund			\$ (100,000)		(100,000)
Installment purchase obligations issued	242,500				242,500
Sale of capital assets	18,090				18,090
Insurance recovery	57,073				57,073
	<u>\$ 417,663</u>		<u>\$ (100,000)</u>		<u>\$ 317,663</u>
Total other financing sources (uses)	<u>\$ 417,663</u>		<u>\$ (100,000)</u>		<u>\$ 317,663</u>
Net change in fund balance	\$ (291,506)		\$ (201,575)		\$ (493,081)
Fund balance, beginning	<u>8,395,233</u>		<u>1,318,141</u>		<u>9,713,374</u>
Fund balance, ending	<u>\$ 8,103,727</u>		<u>\$ 1,116,566</u>		<u>\$ 9,220,293</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit 4

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$	(493,081)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 1,333,272	
Depreciation expense for governmental assets	<u>(1,595,188)</u>	(261,916)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		359,059
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals is to decrease net assets)		(118,097)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		78,626
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	\$ (242,500)	
Principal payments on long-term debt	723,333	
Decrease in accrued interest payable	<u>6,473</u>	487,306
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	\$ (104,829)	
Pension expense	<u>(27,813)</u>	(132,642)
Consolidation adjustment for inclusion of Internal Service Fund		
Net revenue of internal service fund		<u>(150,680)</u>
Total changes in net position of governmental activities	\$	<u><u>(231,425)</u></u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 7,121,600	\$ 7,258,750	\$ 7,428,148	\$ 169,398
Other taxes and licenses	397,680	399,580	402,398	2,818
Unrestricted intergovernmental	3,664,576	3,680,668	4,155,192	474,524
Restricted intergovernmental	481,119	466,760	546,173	79,413
Permits and fees	38,790	40,332	49,602	9,270
Sales and services	204,692	277,985	325,572	47,587
Investment earnings	46,722	27,542	52,402	24,860
Miscellaneous	1,951,167	122,404	173,256	50,852
Total revenues	\$ 13,906,346	\$ 12,274,021	\$ 13,132,743	\$ 858,722
Expenditures:				
General government	\$ 3,229,026	\$ 3,313,558	\$ 3,184,950	\$ 128,608
Public safety	6,460,812	6,706,275	6,633,110	73,165
Transportation	2,325,778	2,306,693	2,260,808	45,885
Cultural and recreational	727,737	735,643	715,098	20,545
Debt service:				
Principal	723,350	723,350	723,333	17
Interest and fees	339,643	324,643	324,613	30
Total expenditures	\$ 13,806,346	\$ 14,110,162	\$ 13,841,912	\$ 268,250
Revenues over (under) expenditures	\$ 100,000	\$ (1,836,141)	\$ (709,169)	\$ 1,126,972
Other financing sources (uses):				
Transfers from other funds:				
Downtown Tax District		\$ 100,000	\$ 100,000	
Installment purchase obligations issued		242,500	242,500	
Sale of capital assets		10,000	18,090	\$ 8,090
Insurance recovery		41,679	57,073	15,394
Total other financing sources (uses)		\$ 394,179	\$ 417,663	\$ 23,484
Fund balance appropriated	\$ (100,000)	\$ 1,441,962		\$ (1,441,962)
Net change in fund balance	\$ -	\$ -	\$ (291,506)	\$ (291,506)
Fund balance, beginning			8,395,233	
Fund balance, ending			\$ 8,103,727	

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

Exhibit 6

	Business Type Activities - Enterprise Funds			Governmental Activities
	Major			Internal Service Fund Health and Welfare Fund
	Water and Sewer Fund	Environmental Service Fund	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,602,302	\$ 129,984	\$ 5,732,286	\$ 118,486
Investments	14,777,987	428,347	15,206,334	
Accounts receivable (net)-billed	836,667	90,192	926,859	
Accounts receivable (net)-unbilled	580,479	61,615	642,094	
Grants receivable	4,197,747		4,197,747	
Sales taxes refundable	233,515	4,695	238,210	1,210
Shared taxes receivable		1,995	1,995	
Accrued interest receivable	28,319	668	28,987	
Inventories	816,159		816,159	
Prepaid items	7,496	89	7,585	193
Restricted cash and cash equivalents	252,187		252,187	
Total current assets	\$ 27,332,858	\$ 717,585	\$ 28,050,443	\$ 119,889
Noncurrent assets:				
Net pension asset	\$ 317,751	\$ 32,232	\$ 349,983	
Land and other non-depreciable assets	14,126,017		14,126,017	
Other capital assets, net of depreciation	64,892,063	664,835	65,556,898	
Capital assets (net)	<u>\$ 79,018,080</u>	<u>\$ 664,835</u>	<u>\$ 79,682,915</u>	
Total noncurrent assets	\$ 79,335,831	\$ 697,067	\$ 80,032,898	
Total Assets	\$ 106,668,689	\$ 1,414,652	\$ 108,083,341	\$ 119,889
Deferred outflows of resources				
Change in proportion and contribution to pension plan	\$ 288,194	\$ 40,206	\$ 328,400	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 549,023	\$ 89,377	\$ 638,400	\$ 1,839
Salaries payable	96,094	13,370	109,464	
Accrued bond and note interest	174,667		174,667	
Compensated absences-current	83,225	10,674	93,899	
Notes payable -current	3,135,333		3,135,333	
Liabilities payable from restricted assets:				
Customer deposits	252,187		252,187	
Total current liabilities	\$ 4,290,529	\$ 113,421	\$ 4,403,950	\$ 1,839
Noncurrent liabilities:				
Compensated absences	\$ 194,193	\$ 24,906	\$ 219,099	
Other postemployment benefits	284,132	56,148	340,280	
Notes payable	24,148,413		24,148,413	
Total noncurrent liabilities	\$ 24,626,738	\$ 81,054	\$ 24,707,792	
Total Liabilities	\$ 28,917,267	\$ 194,475	\$ 29,111,742	\$ 1,839
Deferred inflows of resources				
Pension deferrals	\$ 774,278	\$ 95,936	\$ 870,214	
NET POSITION				
Net investment in capital assets	\$ 51,734,334	\$ 664,835	\$ 52,399,169	
Unrestricted	25,531,004	499,612	26,030,616	\$ 118,050
Total Net Position	\$ 77,265,338	\$ 1,164,447	\$ 78,429,785	\$ 118,050

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit 7

	Business Type Activities - Enterprise Funds			Governmental Activities
	Major			
	Water and Sewer Fund	Environmental Service Fund	Totals	Internal Service Fund Health and Welfare Fund
Operating revenues:				
Charges for services	\$ 13,590,100	\$ 1,130,922	\$ 14,721,022	\$ 100,000
Water and sewer taps	404,018		404,018	
Other operating revenues	733,665		733,665	15,003
Total operating revenues	<u>\$ 14,727,783</u>	<u>\$ 1,130,922</u>	<u>\$ 15,858,705</u>	<u>\$ 115,003</u>
Operating expenses:				
Administration	\$ 1,261,277		\$ 1,261,277	
Business operations	888,887		888,887	
Water treatment and distribution	4,979,668		4,979,668	
Waste collection and treatment	2,103,323	\$ 1,066,137	3,169,460	
Risk management and employee benefits				\$ 265,731
Depreciation	6,177,784	112,218	6,290,002	
Total operating expenses	<u>\$ 15,410,939</u>	<u>\$ 1,178,355</u>	<u>\$ 16,589,294</u>	<u>\$ 265,731</u>
Operating income (loss)	<u>\$ (683,156)</u>	<u>\$ (47,433)</u>	<u>\$ (730,589)</u>	<u>\$ (150,728)</u>
Non-operating revenues (expenses):				
Investment earnings	\$ 153,113	\$ 4,654	\$ 157,767	\$ 48
Interest and other charges	(636,579)		(636,579)	
Other	44,615	41,191	85,806	
Total non-operating revenues (expenses)	<u>\$ (438,851)</u>	<u>\$ 45,845</u>	<u>\$ (393,006)</u>	<u>\$ 48</u>
Income (loss) before contributions and transfers	\$ (1,122,007)	\$ (1,588)	\$ (1,123,595)	\$ (150,680)
Capital contributions	1,177,512		1,177,512	
Sale of assets	6,000		6,000	
Change in net position	<u>\$ 61,505</u>	<u>\$ (1,588)</u>	<u>\$ 59,917</u>	<u>\$ (150,680)</u>
Total net position - previously reported (restated)	\$ 77,631,385	\$ 1,225,717	\$ 78,857,102	268,730
Restatement	(427,552)	(59,682)	(487,234)	
Total net position restated	<u>\$ 77,203,833</u>	<u>\$ 1,166,035</u>	<u>\$ 78,369,868</u>	
Total net position - ending	<u>\$ 77,265,338</u>	<u>\$ 1,164,447</u>	<u>\$ 78,429,785</u>	<u>\$ 118,050</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit 8

	Business Type Activities - Enterprise Funds			Governmental Activities
	Major			Internal Service Fund Health and Welfare Fund
	Water and Sewer Fund	Environmental Service Fund	Totals	
Cash flows from operating activities:				
Cash received from customers	\$ 14,101,291	\$ 1,119,378	\$ 15,220,669	\$ 100,000
Cash paid for goods and services	(6,256,729)	(411,165)	(6,667,894)	(282,326)
Cash paid to employees for services	(4,456,930)	(622,204)	(5,079,134)	
Customer deposits received	103,597		103,597	
Customer deposits returned	(90,235)		(90,235)	
Other operating revenue	733,665		733,665	15,003
Net cash provided (used) by operating activities	\$ 4,134,659	\$ 86,009	\$ 4,220,668	\$ (167,323)
Cash flows from noncapital and financing related activity:				
Other non-operating revenues	\$ 44,615	\$ 41,191	\$ 85,806	
Net cash provided by noncapital and related financing activity	\$ 44,615	\$ 41,191	\$ 85,806	
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (10,665,879)		\$ (10,665,879)	
Sale of capital assets	6,000		6,000	
Grants receivable	(3,722,733)	\$ 17,500	(3,705,233)	
Proceeds of installment purchase obligations	9,023,195		9,023,195	
Principal paid on notes	(2,641,891)		(2,641,891)	
Interest on notes	(661,225)		(661,225)	
Capital contributions	1,177,512		1,177,512	
Net cash provided (used) by capital and related financing activities	\$ (7,485,021)	\$ 17,500	\$ (7,467,521)	
Cash flows from investing activities:				
Purchase of investments (net)	\$ (6,343,206)	\$ (265,451)	\$ (6,608,657)	
Interest on investments	137,795	4,237	142,032	\$ 48
Net cash provided (used) by investing activities	\$ (6,205,411)	\$ (261,214)	\$ (6,466,625)	\$ 48
Net increase / (decrease) in cash and cash equivalents	\$ (9,511,158)	\$ (116,514)	\$ (9,627,672)	\$ (167,275)
Cash and cash equivalents:				
Balances - beginning of year	15,365,647	246,498	15,612,145	285,761
Balances - end of year	\$ 5,854,489	\$ 129,984	\$ 5,984,473	\$ 118,486

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit 8

	Business Type Activities - Enterprise Funds			Governmental Activities
	Major			Internal Service Fund Health and Welfare Fund
	Water and Sewer Fund	Environmental Service Fund	Totals	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (683,156)	\$ (47,433)	\$ (730,589)	\$ (150,728)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	\$ 6,177,784	\$ 112,218	\$ 6,290,002	
Pension expense	21,770	3,038	24,808	
Increase (decrease) in allowance for uncollectible accounts	(54,251)	(1,600)	(55,851)	
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	161,418	(24,136)	137,282	\$ (1,210)
Refundable sales taxes	(71,073)	14,324	(56,749)	
Shared taxes receivable		(131)	(131)	
Inventory	670		670	
Prepaid items	(7,496)	(89)	(7,585)	(193)
(Decrease) increase in liabilities:				
Accounts payable and accrued liabilities	(1,227,980)	61,246	(1,166,734)	(15,192)
Salaries payable	14,710	2,223	16,933	
Customer deposits	13,362		13,362	
Compensated absences payable	69,887	5,572	75,459	
(Increase) decrease in deferred outflows of resources for pensions	(280,986)	(39,223)	(320,209)	
Total adjustments	\$ 4,817,815	\$ 133,442	\$ 4,951,257	\$ (16,595)
Net cash provided (used) by operating activities	\$ 4,134,659	\$ 86,009	\$ 4,220,668	\$ (167,323)

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

Exhibit 9

	<u>June 30, 2015</u>
ASSETS	
Cash	<u>\$ 1,744</u>
LIABILITIES	
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 1,744</u>

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



**Notes to the
Financial
Statements**

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hendersonville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. REPORTING ENTITY:

The City of Hendersonville is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Hendersonville Board of Alcoholic Control:

The members of the ABC Board's governing body are appointed by the City. In addition, the ABC Board is required by State statute to distribute 50% of its surpluses to the General Fund of the City. The remainder is distributed to Henderson County and the Henderson County Board of Public Education. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Hendersonville Board of Alcoholic Control, 205 South Church Street, Hendersonville, NC 28792.

B. BASIS OF PRESENTATION:

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including the fiduciary fund. 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.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and the maintenance of City properties.

The City maintains a separately budgeted Capital Reserve Fund which was established to accumulate resources for future equipment acquisitions and capital improvements. For reporting purposes in the basic financial statements, in accordance with GASB Statement 54, the Capital Reserve Fund is consolidated into the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The City reports the following non-major governmental funds:

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

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

Governor's Highway Safety Program-Bike Safe Hendersonville Program Grant Fund. This fund was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

Governor's Highway Safety Program-Bike Safe Program Grant Fund. This fund was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

Oklawaha Greenways Phase 3 Grant Fund. This fund was established to administer a federal grant to construct an addition of approximately 9,000 feet to existing pedestrian walkways. This fund adopts a multi-year project budget.

Sidewalk Construction Project Fund. This fund was established to account for the use of the proceeds of general obligation bonds issued during the 2008-2009 year, for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks. This fund adopts a multi-year project budget.

Highway 64 Sidewalk Improvement Project Fund. This fund was established to account for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks along Highway 64. This fund adopts a multi-year project budget.

East Side Fire Station Construction Project Fund. This fund was established to account for the construction of a fire station on the east side of the City. The land was purchased in 2010, and construction began in 2012. This fund adopts a multi-year project budget.

Mud Creek Dump Project Fund. This fund was established to account for the costs of an engineering study to determine the future use of a former landfill.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

The City reports the following non-major enterprise fund:

Environmental Service Fund. This fund is used to account for the City's sanitation and recycling operations.

The City reports the following fund types:

Internal Service Fund. The Health and Welfare Fund is used to administer payments for employee health claims. Expenditures of benefits to City staff, employed by the General Fund, the Downtown Tax District Fund, the Water and Sewer Fund, and the Environmental Service Fund are not eliminated in the preparation of consolidating for financial statement purposes.

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

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

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.

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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, 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 and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Hendersonville because the tax is levied by Henderson County and then remitted to and distributed by the State. Most 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. 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 is 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 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, except for capital projects funds and special revenue grant project funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for capital projects funds and special revenue grant project funds. The enterprise capital project funds are consolidated with their respective operating fund for reporting purposes.

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 multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by the governing board.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY:

Deposits and Investments:

All deposits of the City and the 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 and loan association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, 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 City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents:

The City pools money from its several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three month or less when purchased to be cash and cash equivalents.

Restricted Assets:

In the general fund, Powell Bill funds are classified as restricted cash, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4. At year end, all current and prior year Powell Bill funds had been expended.

The unexpended proceeds of general obligation bonds held in the Sidewalk Construction Fund are classified as restricted assets for the capital project fund, because their use is completely restricted to the purpose for which the bonds were issued.

The unexpended proceeds of a bank note payable for the Fire Station Construction Fund are classified as restricted assets for these capital project funds, because their use is completely restricted to the purpose for which the note was issued.

In the special revenue funds, unspent public contributions restricted for a particular purpose and unspent grant revenues are shown as restricted, because they may only be used for the purpose of the donation or the grant. Court-awarded amounts received from drug forfeitures are also shown as restricted cash, as their use is restricted to law enforcement purposes.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

The City's restricted cash consists of the following:

Governmental Activities	
General Fund	
Public safety	\$ 118,815
Economic development	19,550
	<u>\$ 138,365</u>
Capital Project Funds	
Unexpended debt proceeds	
Transportation/sidewalks	\$ 958,180
Public safety/fire protection	79,833
	<u>\$ 1,038,013</u>
Total Governmental Activities	<u>\$ 1,176,378</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	<u>\$ 252,187</u>
Total Restricted Cash	<u>\$ 1,428,565</u>

Ad Valorem Taxes Receivable:

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. The City does not provide for discounts for taxes paid prior to the due date.

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 amount of receivables written off in prior years.

Inventories and Prepaid Items:

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund records the consumption of materials and supplies when purchased.

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and expensed as the items are used.

Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road, sidewalk, bridge and curb, gutter, and drainage systems that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

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

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

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

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – prepaid taxes and deferrals of pension expense that result from the implementation of GASB Statement 68.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Compensated Absences:

The vacation policy of the City generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide 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.

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

Net Position / Fund Balances:

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 externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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:

Nonspendable 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.

Prepaid items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Restricted for Economic Development – portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. At yearend there was no balance.

Restricted for Public Safety – Portion of fund balance that is restricted by revenue sources for use in public safety, due to the sources being from federal and state drug forfeitures and controlled substance tax and amount restricted by commercial lender for use in construction of a new Fire Station.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Hendersonville’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

The City of Hendersonville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least 25% to 35% of budgeted expenditures. The City has also adopted a minimum fund balance policy for the water and sewer fund that available fund balance is maintained between 50% to 75% of budgeted expenditures.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions:

For purposes of measuring the net pension asset, 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 of Hendersonville's employer contributions are recognized when due and the City of Hendersonville 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT IN FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

Highway 64 Sidewalk Grant Project Fund – Amounts were expended in excess of revenues during the fiscal year resulting in a deficit fund balance of \$1,263. Revenues will be received in subsequent years to eliminate the deficit.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS

A. ASSETS:

Deposits:

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's or the ABC Board's agent in these unit's names. 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 and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board 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. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2015, the City's deposits had a carrying amount of \$7,475,156 and a bank balance of \$7,616,405. At June 30, 2015 the City's petty cash fund totaled \$9,350.

Of the bank balance, \$260,225 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

The carrying amount of deposits for the ABC Board was \$506,492 and the bank balance was \$540,790. Federal depository insurance covered \$250,000 of the bank balance. The amount in excess of federal depository insurance is collateralized under the pooling method.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Investments:

At June 30, 2015, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
North Carolina Capital Management Trust – Cash Portfolio (carried as cash and cash equivalent)	<u>\$ 924,249</u>	N/A	AAAm
United States Treasury Note	\$ 1,003,050	February 15, 2018	
Federal Home Loan Bank	1,000,190	January 6, 2016	
Federal Home Loan Bank	3,001,050	June 30, 2020 (1)	AAA
Federal Farm Credit Bank	1,991,960	April 22, 2019 (2)	AAA
Federal Farm Credit Bank	1,000,970	February 5, 2019 (3)	AAA
Federal Home Loan Mortgage Corporation	3,861,935	February 26, 2019 (4)	AAA
Federal Home Loan Mortgage Corporation	1,364,411	December 16, 2019 (5)	AAA
Federal Home Loan Mortgage Corporation	2,999,610	December 17, 2018 (6)	AAA
Federal National Mortgage Association	1,323,038	April 28, 2020 (7)	AAA
Federal National Mortgage Association	2,161,644	November 20, 2018 (8)	AAA
Durham County North Carolina	200,135	November 1, 2019	Aaa/AAA
High Point North Carolina Combined Enterprise System	323,300	November 1, 2017	Aa2/AAA
University of North Carolina at Chapel Hill	532,324	December 1, 2017	AAA
University of North Carolina at Charlotte	130,272	April 1, 2016	Aa3/A+
University of North Carolina at Charlotte	321,836	April 1, 2019	Aa3/A+
Winston Salem North Carolina Long Term Debt Obligation	200,728	June 1, 2019	Aa2/AA+
North Carolina Capital Management Fund	919	N/A	Unrated
Total (carried as investments)	<u>\$ 21,417,372</u>		

(1) Callable September 30, 2015

(2) Callable April 22, 2015

(3) Callable February 5, 2016

(4) Callable February 26, 2016

(5) Callable September 16, 2015

(6) Callable December 17, 2015

(7) Callable April 28, 2017

(8) Callable November 20, 2015

Depository Policy: The City's formal investment policy also deals with the collateralization of deposits, and requires compliance with North Carolina General Statutes. All balances maintained with financial institutions were either entirely insured or collateralized utilizing the Pooling Option, with securities held by the state or its agent in the state's name.

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.

Credit Risk: The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk, but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the City's name.

Concentration of Credit Risk: The City's Board places no limit on the amount that the City may invest in any one issuer. More than 38 percent of the City's investments are in Federal Home Loan Mortgage Corporation securities.

Receivables--Allowances for Doubtful Accounts:

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015, are net of the following allowances for doubtful accounts:

General Fund: Allowance for Uncollectible Property Taxes Receivable	<u>\$ 113,349</u>
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	<u>\$ 3,930</u>
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	<u>\$ 73</u>
Governmental Funds: Allowance for Uncollectible Accrued Interest on Property Taxes	<u>\$ 24,795</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

Governmental activities:	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated:					
Land	\$ 2,882,721	\$ 735,490			\$ 3,618,211
Construction in progress	<u>3,578,896</u>	<u>71,213</u>			<u>3,650,109</u>
Total	<u>\$ 6,461,617</u>	<u>\$ 806,703</u>			<u>\$ 7,268,320</u>
Capital assets being depreciated:					
Buildings	\$ 7,945,700			\$ 294,996	\$ 8,240,696
Other improvements	3,954,869			(153,845)	3,801,024
Machinery and equipment	5,858,962	\$ 506,044	\$ 118,097	(176,981)	6,069,928
Software	107,961	20,525		182,925	311,411
Infrastructure	<u>16,190,538</u>			<u>(147,095)</u>	<u>16,043,443</u>
Totals	<u>\$ 34,058,030</u>	<u>\$ 526,569</u>	<u>\$ 118,097</u>	<u>\$ -</u>	<u>\$ 34,466,502</u>
Less accumulated depreciation for:					
Capital assets being depreciated:					
Buildings	\$ 3,431,597	\$ 258,680		\$ 212,014	\$ 3,902,291
Other improvements	2,579,184	424,445		(188,050)	2,815,579
Machinery and equipment	3,722,738	392,706		(175,913)	3,939,531
Software	91,329	25,717		151,949	268,995
Infrastructure	<u>5,681,351</u>	<u>493,640</u>			<u>6,174,991</u>
Totals	<u>\$ 15,506,199</u>	<u>\$ 1,595,188</u>		<u>\$ -</u>	<u>\$ 17,101,387</u>
Assets being depreciated, net	<u>\$ 18,551,831</u>	<u>\$ (1,068,619)</u>	<u>\$ 118,097</u>	<u>\$ -</u>	<u>\$ 17,365,115</u>
Governmental-type capital assets, net	<u>\$ 25,013,448</u>				<u>\$ 24,633,435</u>
Depreciation expense was charged to functions/programs of the primary government as follows:					
General Government		\$ 357,512			
Public Safety		387,977			
Transportation		530,085			
Parks		<u>319,614</u>			
Total depreciation expense		<u>\$ 1,595,188</u>			

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Business-type activities:	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Water & Sewer Fund:				
Land	\$ 1,780,512	\$ 56,848		\$ 1,837,360
Construction in progress	2,850,436	9,438,221		12,288,657
Total	<u>\$ 4,630,948</u>	<u>\$ 9,495,069</u>		<u>\$ 14,126,017</u>
 Capital assets being depreciated:				
Buildings	\$ 1,652,739	\$ 13,671		\$ 1,666,410
Plant and distribution systems	85,063,337	285,870		85,349,207
Machinery and equipment	15,023,600	775,269		15,798,869
Other improvements	43,640	96,000		139,640
Totals	<u>\$ 101,783,316</u>	<u>\$ 1,170,810</u>		<u>\$ 102,954,126</u>
 Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 700,830	\$ 55,169		\$ 755,999
Plant and distribution systems	28,119,598	2,219,487		30,339,085
Machinery and equipment	3,044,301	3,892,706		6,937,007
Other improvements	19,550	10,422		29,972
Totals	<u>\$ 31,884,279</u>	<u>\$ 6,177,784</u>		<u>\$ 38,062,063</u>
 Assets being depreciated, net	<u>\$ 69,899,037</u>	<u>\$ (5,006,974)</u>		<u>\$ 64,892,063</u>
 Water & Sewer Fund capital assets, net	<u>\$ 74,529,985</u>			<u>\$ 79,018,080</u>
 Environmental Service Fund:				
Capital assets being depreciated:				
Machinery and equipment	<u>\$ 1,392,450</u>			<u>\$ 1,392,450</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>\$ 615,397</u>	<u>\$ 112,218</u>		<u>\$ 727,615</u>
Environmental Service Fund:				
Capital assets, net	<u>\$ 777,053</u>	<u>\$ 112,218</u>		<u>\$ 664,835</u>
 Business-type capital assets, net	<u>\$ 75,307,038</u>			<u>\$ 79,682,915</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Construction commitments:

The City has several active construction projects as of June 30, 2015. There were no significant commitments to contractors for these projects as of June 30, 2015.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 640,091			\$ 640,091
Capital assets being depreciated:				
Buildings	\$ 1,053,192			\$ 1,053,192
Real estate improvements	227,899			227,899
Furniture and equipment	231,270	\$ 13,600		244,870
Vehicles	26,646			26,646
Computer equipment & software	86,350			86,350
Totals	<u>\$ 1,625,357</u>	<u>\$ 13,600</u>		<u>\$ 1,638,957</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 371,597	\$ 22,347		\$ 393,944
Real estate improvements	91,449	6,673		98,122
Furniture and equipment	152,102	17,417		169,519
Vehicles	26,646			26,646
Computer equipment & software	52,829	14,999		67,828
Totals	<u>\$ 694,623</u>	<u>\$ 61,436</u>		<u>\$ 756,059</u>
Assets being depreciated, net	<u>\$ 930,734</u>	<u>\$ (47,836)</u>		<u>\$ 882,898</u>
ABC Board capital assets, net	<u>\$ 1,570,825</u>			<u>\$ 1,522,989</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES:

Pension Plan and Postemployment Obligations:

Local Governmental Employees' Retirement System

Plan Description. The City of Hendersonville 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, 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 an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an 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.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Hendersonville 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 of Hendersonville's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 of Hendersonville were \$679,268 for the year ended June 30, 2015.

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, 2015, the City reported an asset of \$768,146 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.13025%, which was an increase of 0.00125% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$52,621. At June 30, 2015, 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		\$ 83,933
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		1,788,223
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 17,807	
City contributions subsequent to the measurement date	679,268	
Total	\$ 697,075	\$ 1,872,156

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

\$679,268 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2016	\$ (463,629)
2017	(463,629)
2018	(463,629)
2019	<u>(463,462)</u>
	<u>\$ (1,854,349)</u>

Actuarial Assumptions:

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate:

The discount rate used to measure the total pension liability was 7.25%. 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 asset calculated using the discount rate of 7.25 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 one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% increase (8.25%)</u>
City's proportionate share of the new pension liability (asset)	<u>\$ 2,607,415</u>	<u>\$ (768,146)</u>	<u>\$ (3,610,256)</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (continued)

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

Law Enforcement Officers Special Separation Allowance

Plan Description:

The City of Hendersonville administers a public employee retirement plan, (the “Separation Allowance”), a single-employer defined benefit pension plan which provides retirement benefits to the City’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the date of the most recent actuarial valuation, the system's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>39</u>
 Total	 <u><u>44</u></u>

A separate report was not issued for the plan.

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 meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (continued)

Contributions:

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

The annual required contribution for December 31, 2013, the date of the most recent actuarial valuation, was determined using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the year ended June 30, 2014 were as follows:

Annual required contribution	\$	75,945
Interest on net pension obligation		17,795
Adjustment to annual required contribution		(28,997)
Annual pension cost	\$	64,743
Contributions made		(81,655)
(Decrease) in net pension obligation	\$	(16,912)
Net pension obligation beginning of year		355,906
Net pension obligation end of year	\$	338,994

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 82,143	74.66%	\$ 352,497
6/30/2013	\$ 81,011	95.79%	\$ 355,906
6/30/2014	\$ 64,743	126.12%	\$ 338,994

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Funded Status and Funding Progress:

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$658,739. The covered payroll (annual payroll of active employees covered by the plan) was \$1,768,596 and the ratio of the UAAL to the covered payroll was 37.25 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$205,684 which consisted of \$85,274 from the City and \$120,410 from the law enforcement officers.

Firefighter's and Rescue Squad Worker's Pension Plan

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2014, the State contributed \$14,627,000 to the plan. The City of Hendersonville's proportionate share of the State's contribution is \$4,845.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$9,086. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014, and at June 30, 2013, was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$3,416 and revenue of \$3,416 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Actuarial Assumptions:

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in this note.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

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

Other Post-Employment Benefits

HealthCare and Death Benefit Plan

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB plan). As of June 1, 1988, this plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for 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 plan.

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

As of December 31, 2013, the date of the most recent actuarial valuation, there are fifty (50) employees eligible for the death benefit with the total liability equal to \$250,000. The City paid out \$10,000 in fiscal year 2014-2015. The actuarial information presented below covers both the healthcare and the death benefit liability.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation.

	General <u>Employees</u>	Law <u>Enforcement</u>
Retirees and dependents receiving benefits	45	5
Active plan members	<u>171</u>	<u>38</u>
Totals	<u><u>216</u></u>	<u><u>43</u></u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The City's members pay \$571 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 2.46% of annual covered payroll. For the current year, the City contributed \$155,107 or 1.63% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund-Health and Welfare Fund, up to a limit of \$4,900 per individual, with the excess being covered by a private insurer. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.05% and 2.17% of covered payroll, respectively. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, the Water and Sewer Fund, and the Environmental Service Fund, which are maintained on the modified accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 248,872
Interest on OPEB obligation	30,778
Adjustment to annual required contribution	<u>(29,403)</u>
Annual OPEB cost (expense)	\$ 250,247
Contributions made	<u>143,834</u>
Increase in net OPEB obligation	\$ 106,413
Net OPEB obligation beginning of year	<u>769,461</u>
Net OPEB obligation end of year	<u><u>\$ 875,874</u></u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

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

Three Year Trend Information

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 271,722	62.40%	\$ 700,353
2013	\$ 241,623	71.39%	\$ 769,460
2014	\$ 250,247	57.50%	\$ 875,874

Funding Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,839,860. The covered payroll (annual payroll of active employees covered by the plan) was \$8,830,095, and the ratio of the UAAL to the covered payroll was 32.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was thirty (30) years.

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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no 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.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

Number of Years Contributing	Years Relief	FY Contributions Resume
10 – 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Hendersonville will have a three year reprieve because it had been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

Deferred Outflows and Inflows of Resources:

The City has one deferred outflow of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	<u>\$ 679,268</u>

Deferred inflows of resources at year-end is composed of the following:

Prepaid taxes (General Fund)	<u>\$ 3,552</u>
Taxes receivable (General Fund)	<u>\$ 168,451</u>
Taxes receivable (Special Revenue Funds)	<u>\$ 10,800</u>
Pension deferral	<u>\$ 1,854,349</u>

Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this company the City has general liability and auto liability coverage of \$1 million per occurrence; property coverage up to \$73 million blanket coverage; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$3 million, respectively. The City also carries worker's compensation coverage of up to statutory limits.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

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. There is coverage of \$150,000 for employee dishonesty which covers the finance officer, the tax collector and other employees. The finance officer and the tax collector are also each individually bonded for \$75,000.

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

The City 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 \$4,900 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General Fund, Downtown Tax District Fund, the Environmental Services Fund, and the Water and Sewer Fund, according to the function of the employees and retirees. Payments of claim expenses up to the annual limit are accounted for in the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as expenditures in the funds.

Claims, Judgments, and Contingent Liabilities:

At June 30, 2015, the City was defendant to various lawsuits. In the opinion of the City’s management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City’s financial position.

Long-Term Debt:

General Obligation Indebtedness

The City’s general obligation bonds serviced by the governmental funds were issued for the construction, replacement, and repair of sidewalks in the City. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2015, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:

Interest due each May 1 and November 1 at rates from 4.75% to 5.0%	
\$90,000 principal due each May 1	\$ 270,000

2008 Sidewalk Construction Bonds:

Interest due each March 1 and September 1 at rates from 3.5% to 4.3%	
Varying amounts of principal due each March 1	<u>1,600,000</u>

Total General Obligation Bonds	<u><u>\$ 1,870,000</u></u>
--------------------------------	----------------------------

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Installment Purchase Obligations

The City is liable on installment purchase obligations for money borrowed to renovate City Hall, to construct infrastructure improvements on Main Street, to purchase a new fire truck, and to construct a new fire station; and for water and sewer line extensions and expansion projects at the water and the sewer plants, which were financed with the proceeds of borrowings from commercial banks and the State of North Carolina. The debt service payments for the City Hall renovation, Main Street infrastructure improvements, fire truck purchase, and construction of a new fire station are provided by the General Fund; the water and sewer line extensions and plant expansions are paid by the Water and Sewer Fund.

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	
Principal payment of \$116,667 and interest at 4.1%	
due each April 14 and October 14	\$ 816,667
BB&T Loan for Main Street infrastructure improvements, purchase of fire truck and construction of fire station	
Principal payment of \$116,667 and interest at 4.1%	
due each April 14 and October 14	5,400,000
BB&T Loan for Capital Equipment	
Principal payment at various amounts and interest at 1.21%	
due each July 1 and January 1	242,500
Total Governmental Installment Purchase Obligations	\$ 6,459,167

Enterprise Debt

Serviced by the Water & Sewer Fund

BB&T Water Plant Expansion Loan	
Fixed payment of \$608,680 due each March 19	
and September 19 including principal and interest at 3.9%	\$ 2,872,875
J P Morgan Chase Bank Automated Meter Project	
Interest due each January 1 and July 1 at 2.583%	
Principal of \$776,230 due each July 1	10,090,992
State of North Carolina Revolving Loan Fund Clean Water Bonds	
Interest due each May 1 and November 1 at 3.43%	
Principal of \$100,880 due each May 1	201,760
State of North Carolina Revolving Loan Fund Clean Water Bonds	
Brightwater Water System Project	
Interest due each May 1 and November 1 at 2.91%	
Principal of \$662,500 due each May 1	457,425

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

State of North Carolina Revolving Loan Fund Clean Water Bonds	
Wastewater Treatment Plant Expansion	
Interest due each May 1 and November 1 at 2.91%	
Principal of \$662,500 due each May 1	\$ 4,637,500
State of North Carolina Revolving Loan Fund Clean Water Bonds	
Jackson Park, Shepherd/Atkinson, and Wolfpen project	
Interest due each May 1 and November 1 at 2.00%	
Principal of \$451,160 due each May 1	<u>9,023,195</u>
Total Enterprise Installment Purchase Obligations	<u>\$ 27,283,747</u>
Total Installment Purchase Obligations	<u><u>\$ 33,742,914</u></u>

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

Year Ended <u>June 30</u>	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 818,909	\$ 299,347	\$ 3,135,333	\$ 625,699
2017	820,987	268,731	3,179,280	569,043
2018	772,604	139,009	2,515,458	472,589
2019	566,667	210,174	1,918,479	413,630
2020	450,000	191,313	1,918,479	366,313
2021-2025	2,250,000	708,990	7,604,895	1,179,655
2026-2030	1,750,000	315,990	4,727,435	457,483
2031-2035	<u>900,000</u>	<u>54,969</u>	<u>2,284,388</u>	<u>136,057</u>
Totals	<u><u>\$ 8,329,167</u></u>	<u><u>\$ 2,188,523</u></u>	<u><u>\$27,283,747</u></u>	<u><u>\$ 4,220,469</u></u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

Changes in Long-Term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 2,060,000		\$ 190,000	\$ 1,870,000	\$ 190,000
Installment purchase obligations	6,750,000	\$ 242,500	533,333	6,459,167	628,909
Compensated absences	552,597	380,569	275,740	657,426	197,228
Other post-employment benefits	535,594			535,594	
Net pension obligation (LGERS)	821,944		821,944		
Net pension obligation (LEO)	338,994			338,994	
Governmental activity long-term liabilities	<u>\$ 11,059,129</u>	<u>\$ 623,069</u>	<u>\$ 1,821,017</u>	<u>\$ 9,861,181</u>	<u>\$ 1,016,137</u>
Business-type activities:					
Installment purchase obligations	\$ 20,902,442	\$ 9,023,195	\$ 2,641,891	\$ 27,283,746	\$ 3,135,333
Compensated absences	237,539	241,812	166,353	312,998	93,899
Net pension obligation (LGERS)	733,001		733,001	-	
Other post-employment benefits	340,280			340,280	
Business-type activities long-term liabilities	<u>\$ 22,213,262</u>	<u>\$ 9,265,007</u>	<u>\$ 3,541,245</u>	<u>\$ 27,937,024</u>	<u>\$ 3,229,232</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

C. INTERFUND BALANCES AND ACTIVITY:

Interfund Transfers:

Interfund transfers of the City of Hendersonville for the year ended June 30, 2015 consist of the following:

Transfers to Governmental Funds:

Downtown Tax District Fund to General Fund \$100,000

This transfer from the Downtown Tax District Fund to the General Fund was to recover transfers made in earlier years for improvements in the Downtown Tax District.

Inter-entity Receivable/ Payables

The composition of inter-entity balances as of June 30, 2015, is as follows:

Receivable Entity	Payable Entity	
Primary Government	Component Unit	
General Fund	Hendersonville ABC Board	<u>\$ 22,500</u>

This balance consists of the required quarterly profit distribution due by the Hendersonville ABC Board to the City of Hendersonville for the period ending June 30, 2015.

D. PRIOR PERIOD ADJUSTMENT:

During the fiscal year ended June 30, 2015, the City determined that certain capital assets acquired in previous years had not been properly recorded in both the governmental and business-type activities. Therefore, an adjustment to beginning net position has been recorded to account for these capital assets, the net effect of which increased beginning net position in governmental activities by \$309,536 and in business-type activities by \$322,235.

E. ON-BEHALF PAYMENTS:

The City has recognized as revenue and expenditure, on-behalf payments for pension contributions made by the State, for participating employed firefighters in the amount of \$4,845.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$46,295 for the salary supplement and stipend benefits paid to eligible firefighters by the local board of trustees of the Firefighter's Relief Fund during the year ended June 30, 2015. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firefighters or their department.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

III. DETAIL NOTES ON ALL FUNDS (continued)

F. FUND BALANCE

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

Total fund balance - General Fund	\$ 8,103,727
Less:	
Prepaid items	8,805
Stabilization by State Statute	1,058,260
Restricted for economic development	19,577
Restricted for public safety	115,235
Appropriated fund balance 2016 budget	<u>701,672</u>
Remaining fund balance	<u><u>\$ 6,200,178</u></u>

The City of Hendersonville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least 25 percent to 35 percent of budgeted expenditures.

The following schedule provides information concerning the consolidation of the operating General Fund with a separately budgeted governmental Capital Reserve Fund. The Capital Reserve Fund does not meet the GASB 54 definition of a special revenue fund, and is shown in the Basic Financial Statements as being consolidated with the General Fund.

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Consolidated</u>
Fund balance July 1, 2014	<u>\$ 7,459,126</u>	<u>\$ 936,107</u>	<u>\$ 8,395,233</u>
Net change in fund balances, excluding Intrafund transfers for the year ended June 30, 2015	\$ (291,506)		\$ (291,506)
Intrafund transfers year ended June 30, 2015	<u>274,580</u>	<u>\$ (274,580)</u>	<u>-</u>
Net change in fund balances, adjusted	<u>\$ (16,926)</u>	<u>\$ (274,580)</u>	<u>\$ (291,506)</u>
Fund balance June 30, 2015	<u><u>\$ 7,442,200</u></u>	<u><u>\$ 661,527</u></u>	<u><u>\$ 8,103,727</u></u>

IV. JOINT VENTURES

The City acquired and developed real property during the fiscal year as part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College. This joint venture will provide a sustainable health sciences educational facility for the residents of Hendersonville, Henderson County, and the region.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

V. RELATED ORGANIZATION:

The six member board of the Hendersonville Housing Authority is appointed by the Mayor of the City of Hendersonville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Hendersonville is also disclosed as a related organization in the notes to the financial statements for the Hendersonville Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 203 North Justice Street, Hendersonville, NC 28739.

VI. SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs:

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

VII. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 9, 2015, which is the date the financial statements were available to be issued.

VIII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$546,350 and \$487,234, respectively.



**Required
Supplementary
Information**

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

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2004	-	\$ 486,524	\$ 486,524	0%	\$ 1,353,075	35.96%
12/31/2005	-	\$ 471,245	\$ 471,245	0%	\$ 1,475,522	31.94%
12/31/2006	-	\$ 490,571	\$ 490,571	0%	\$ 1,542,417	31.81%
12/31/2007	-	\$ 574,165	\$ 574,165	0%	\$ 1,611,635	35.63%
12/31/2008	-	\$ 621,469	\$ 621,469	0%	\$ 1,688,411	36.81%
12/31/2009	-	\$ 782,709	\$ 782,709	0%	\$ 1,851,891	42.27%
12/31/2010	-	\$ 799,934	\$ 799,934	0%	\$ 1,834,359	43.61%
12/31/2011	-	\$ 791,329	\$ 791,329	0%	\$ 1,831,773	43.20%
12/31/2012	-	\$ 672,377	\$ 672,377	0%	\$ 1,708,834	39.36%
12/31/2013	-	\$ 658,739	\$ 658,739	0%	\$ 1,768,596	37.25%

Exhibit A-2

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

<u>Fiscal Year June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 45,507	28.12%
2006	\$ 55,000	23.27%
2007	\$ 51,555	24.82%
2008	\$ 55,102	71.59%
2009	\$ 58,845	89.29%
2010	\$ 63,168	87.85%
2011	\$ 80,269	69.13%
2012	\$ 85,322	77.57%
2013	\$ 85,322	90.95%
2014	\$ 75,945	107.52%

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

Exhibit A-3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2005	-	\$ 2,956,534	\$ 2,956,534	0%	\$ 6,499,084	45.49%
12/31/2007	-	\$ 4,559,164	\$ 4,559,164	0%	\$ 7,446,974	61.22%
12/31/2009	-	\$ 3,641,577	\$ 3,641,577	0%	\$ 8,593,288	42.38%
12/31/2011	-	\$ 3,187,086	\$ 3,187,086	0%	\$ 8,846,414	36.03%
12/31/2013	-	\$ 2,839,860	\$ 2,839,860	0%	\$ 8,830,095	32.16%

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

Exhibit A-4

<u>Fiscal Year June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 336,444	41.15%
2010	\$ 350,149	34.57%
2011	\$ 261,457	61.80%
2012	\$ 268,826	36.79%
2013	\$ 239,520	71.40%
2014	\$ 216,730	66.37%

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 PROPORINATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

Exhibit A-5

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.13025%	0.12900%
Proportion of the net pension liability (asset) (\$)	\$ (768,146)	\$ 1,554,945
Covered-employee payroll	\$ 8,056,447	\$ 7,471,416
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	(9.53%)	20.81%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

**CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY OF HENDERSONVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

Exhibit A-6

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 598,874	\$ 573,320
Contributions in relation to the contractually required contribution	<u>598,874</u>	<u>573,320</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 8,378,808	 \$ 8,056,447
Contributions as a percentage of covered-employee payroll	7.15%	7.12%

CITY OF HENDERSONVILLE, NORTH CAROLINA
PROPORTINATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION

Exhibit A-7

	<u>2015</u>
Proportionate share of the net pension liability (%)	0.0000%
City's proportionate share of the net pension liability (\$) \$	-
State's proportionate share of the net pension liability associated with City of Hendersonville	9,086
Total	<u>\$ 9,086</u>
Covered-employee payroll	\$ 1,137,081
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.80%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

General Fund

The General Fund is the chief operating fund of local government.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND**

Exhibit B-1
Page 1 of 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 7,233,750	\$ 7,402,859	\$ 169,109
Penalties and interest	30,000	30,661	661
Refunds	(5,000)	(5,372)	(372)
Total	\$ 7,258,750	\$ 7,428,148	\$ 169,398
Other taxes and licenses:			
Beer and wine	\$ 2,180	\$ 2,390	\$ 210
Local vehicle rental tax	12,000	14,564	2,564
Gross receipts tax on short-term rental property	385,400	385,444	44
Total	\$ 399,580	\$ 402,398	\$ 2,818
Unrestricted intergovernmental:			
Local option sales taxes	\$ 2,476,000	\$ 2,698,658	\$ 222,658
Payments in lieu of taxes (external sources)	13,303	13,303	
Utility sales tax	625,000	812,188	187,188
Piped natural gas sales tax		69,704	69,704
Telecommunications sales tax	295,000	277,764	(17,236)
Video franchise fee	120,000	118,995	(1,005)
Beer and wine tax	57,165	64,258	7,093
ABC profit distribution	75,000	82,500	7,500
Court fees	5,800	4,791	(1,009)
Police 911 secondary share	13,400	13,031	(369)
Total	\$ 3,680,668	\$ 4,155,192	\$ 474,524
Restricted intergovernmental:			
Powell Bill allocation	\$ 385,080	\$ 385,092	\$ 12
Controlled substance tax		12,014	12,014
ABC revenue for law enforcement	40,000	40,000	
On-behalf-of payments - Fire and Rescue		51,140	51,140
School Resource Officer	37,839	37,838	(1)
Other	3,841	20,089	16,248
Total	\$ 466,760	\$ 546,173	\$ 79,413

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, 2015

Exhibit B-1
Page 2 of 6

	Final Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building permits and inspection fees	\$ 9,592	\$ 10,449	\$ 857
Business registration fee	16,390	15,065	(1,325)
Special project fees	13,200	21,088	7,888
Stormwater permits	1,150	3,000	1,850
Total	<u>\$ 40,332</u>	<u>\$ 49,602</u>	<u>\$ 9,270</u>
Sales and services:			
Facility rent	\$ 30,980	\$ 40,640	\$ 9,660
Recreation fees	128,500	166,200	37,700
Parking revenues	103,355	98,832	(4,523)
Cemetery lots	13,200	18,000	4,800
Alarm fees	1,950	1,900	(50)
Total	<u>\$ 277,985</u>	<u>\$ 325,572</u>	<u>\$ 47,587</u>
Investment earnings	<u>\$ 27,542</u>	<u>\$ 52,402</u>	<u>\$ 24,860</u>
Miscellaneous:			
Parking violations and penalties	\$ 56,000	\$ 48,130	\$ (7,870)
Other	66,404	125,126	58,722
Total	<u>\$ 122,404</u>	<u>\$ 173,256</u>	<u>\$ 50,852</u>
Total revenues	<u>\$ 12,274,021</u>	<u>\$ 13,132,743</u>	<u>\$ 858,722</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, 2015

Exhibit B-1
Page 3 of 6

	Final Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 24,981	\$ 25,139	\$ (158)
Operating expenses	52,129	49,778	2,351
Special appropriations	167,000	167,000	
Total	<u>\$ 244,110</u>	<u>\$ 241,917</u>	<u>\$ 2,193</u>
Administration:			
Salaries and employee benefits	\$ 296,955	\$ 269,906	\$ 27,049
Operating expenses	184,993	183,224	1,769
Capital outlay	678,122	684,942	(6,820)
Total	<u>\$ 1,160,070</u>	<u>\$ 1,138,072</u>	<u>\$ 21,998</u>
Finance:			
Salaries and employee benefits	\$ 330,255	\$ 285,685	\$ 44,570
Operating expenses	99,753	102,467	(2,714)
Capital outlay	5,340	5,000	340
Total	<u>\$ 435,348</u>	<u>\$ 393,152</u>	<u>\$ 42,196</u>
City engineer:			
Salaries and employee benefits	\$ 147,106	\$ 147,719	\$ (613)
Operating expenses	40,460	39,774	686
Total	<u>\$ 187,566</u>	<u>\$ 187,493</u>	<u>\$ 73</u>
Information technology:			
Salaries and employee benefits	\$ 16,171	\$ 13,849	\$ 2,322
Operating expenses	210,047	201,280	8,767
Capital outlay	88,450	52,403	36,047
Total	<u>\$ 314,668</u>	<u>\$ 267,532</u>	<u>\$ 47,136</u>
Legal department:			
Salaries and employee benefits	\$ 95,829	\$ 93,940	\$ 1,889
Operating expenses	16,526	15,270	1,256
Total	<u>\$ 112,355</u>	<u>\$ 109,210</u>	<u>\$ 3,145</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, 2015

Exhibit B-1
Page 4 of 6

	Final Budget	Actual	Variance Positive (Negative)
Fleet maintenance:			
Salaries and employee benefits	\$ 326,308	\$ 314,944	\$ 11,364
Operating expenses	19,460	18,958	502
Total	<u>\$ 345,768</u>	<u>\$ 333,902</u>	<u>\$ 11,866</u>
Public buildings:			
Salaries and employee benefits	\$ 187,790	\$ 183,102	\$ 4,688
Operating expenses	267,782	324,570	(56,788)
Capital outlay	58,101	6,000	52,101
Total	<u>\$ 513,673</u>	<u>\$ 513,672</u>	<u>\$ 1</u>
Total general government	<u>\$ 3,313,558</u>	<u>\$ 3,184,950</u>	<u>\$ 128,608</u>
Public safety:			
Police:			
Salaries and employee benefits	\$ 3,468,726	\$ 3,378,464	\$ 90,262
Operating expenses	599,684	688,288	(88,604)
Capital outlay	191,135	139,691	51,444
Total	<u>\$ 4,259,545</u>	<u>\$ 4,206,443</u>	<u>\$ 53,102</u>
Fire:			
Salaries and employee benefits	\$ 1,641,700	\$ 1,586,764	\$ 54,936
Operating expenses	312,159	337,575	(25,416)
Capital outlay	78,391	67,291	11,100
On-behalf payments:			
Firefighter's Relief fund	10,519	51,140	(40,621)
Total	<u>\$ 2,042,769</u>	<u>\$ 2,042,770</u>	<u>\$ (1)</u>
Zoning:			
Salaries and employee benefits	\$ 135,256	\$ 138,501	\$ (3,245)
Operating expenses	40,860	33,804	7,056
Capital outlay	29,845	29,845	
Total	<u>\$ 205,961</u>	<u>\$ 202,150</u>	<u>\$ 3,811</u>
Planning:			
Salaries and employee benefits	\$ 146,184	\$ 135,362	\$ 10,822
Operating expenses	51,816	46,385	5,431
Total	<u>\$ 198,000</u>	<u>\$ 181,747</u>	<u>\$ 16,253</u>
Total public safety	<u>\$ 6,706,275</u>	<u>\$ 6,633,110</u>	<u>\$ 73,165</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, 2015

Exhibit B-1
Page 5 of 6

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Administration:			
Salaries and employee benefits	\$ 266,545	\$ 265,920	\$ 625
Operating expenses	59,286	53,794	5,492
Capital outlay	<u>61,500</u>	<u>62,280</u>	<u>(780)</u>
Total	<u>\$ 387,331</u>	<u>\$ 381,994</u>	<u>\$ 5,337</u>
Streets and highways:			
Salaries and employee benefits	\$ 419,020	\$ 397,051	\$ 21,969
Operating expenses	444,940	445,286	(346)
Capital outlay	<u>101,300</u>	<u>101,270</u>	<u>30</u>
Total	<u>\$ 965,260</u>	<u>\$ 943,607</u>	<u>\$ 21,653</u>
State Street Aid allocation:			
Operating expenses	<u>\$ 533,280</u>	<u>\$ 532,066</u>	<u>\$ 1,214</u>
Traffic engineering:			
Salaries and employee benefits	\$ 137,259	\$ 139,735	\$ (2,476)
Operating expenses	276,043	263,406	(12,637)
Capital outlay	<u>7,520</u>	<u>7,520</u>	<u>7,520</u>
Total	<u>\$ 420,822</u>	<u>\$ 403,141</u>	<u>\$ 17,681</u>
Total transportation	<u>\$ 2,306,693</u>	<u>\$ 2,260,808</u>	<u>\$ 45,885</u>
Culture and recreation:			
Park maintenance, drainage and lot clearing:			
Salaries and employee benefits	\$ 411,477	\$ 405,072	\$ 6,405
Operating expenses	79,826	67,176	12,650
Capital outlay	<u>26,000</u>	<u>24,510</u>	<u>1,490</u>
Total park maintenance, drainage, and lot clearing	<u>\$ 517,303</u>	<u>\$ 496,758</u>	<u>\$ 20,545</u>
Patton Park Pool:			
Salaries and employee benefits	\$ 117,689	\$ 136,791	\$ (19,102)
Operating expenses	85,651	62,973	22,678
Capital outlay	<u>15,000</u>	<u>18,576</u>	<u>(3,576)</u>
Total Patton Park pool	<u>\$ 218,340</u>	<u>\$ 218,340</u>	<u>\$ -</u>
Total culture and recreation	<u>\$ 735,643</u>	<u>\$ 715,098</u>	<u>\$ 20,545</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, 2015

Exhibit B-1
Page 6 of 6

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal	\$ 723,350	\$ 723,333	\$ 17
Interest and fees	<u>324,643</u>	<u>324,613</u>	<u>30</u>
Total debt service	<u>\$ 1,047,993</u>	<u>\$ 1,047,946</u>	<u>\$ 47</u>
Total expenditures	<u>\$ 14,110,162</u>	<u>\$ 13,841,912</u>	<u>\$ 268,250</u>
Revenues over (under) expenditures	<u>\$ (1,836,141)</u>	<u>\$ (709,169)</u>	<u>\$ 1,126,972</u>
Other financing sources / (uses)			
Transfers from other funds:			
Downtown Tax District Fund	\$ 100,000	\$ 100,000	
Capital Reserve Fund	274,580	274,580	
Installment purchase obligations issued	242,500	242,500	
Sale of capital assets	10,000	18,090	\$ 8,090
Insurance recovery	<u>41,679</u>	<u>57,073</u>	<u>15,394</u>
Total other financing sources (uses)	<u>\$ 668,759</u>	<u>\$ 692,243</u>	<u>\$ 23,484</u>
Fund balance appropriated	<u>\$ 1,167,382</u>		<u>\$ (1,167,382)</u>
Net change in fund balance	<u><u>\$ -</u></u>	\$ (16,926)	<u><u>\$ (16,926)</u></u>
Fund balance, beginning		<u>7,459,126</u>	
Fund balance, ending		<u><u>\$ 7,442,200</u></u>	

Capital Reserve Fund

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B-2

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer to General Fund	<u>\$ (274,580)</u>	<u>\$ (274,580)</u>	
Fund balance appropriated	<u>\$ 274,580</u>		<u>\$ (274,580)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>\$ (274,580)</u>	<u><u>\$ (274,580)</u></u>
Fund balance, beginning		<u>936,107</u>	
Fund balance, ending		<u><u>\$ 661,527</u></u>	

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

Exhibit C-1

SPECIAL REVENUE FUNDS

	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Governor's Highway Safety Bike Safe Grant Fund	Oklawaha Greenways Phase 3 Grant Fund	Total
Assets					
Cash and cash equivalents	\$ 92,366	\$ 4,797			\$ 97,163
Restricted cash and cash equivalents					
Receivables:					
Taxes (net)	10,146	654			10,800
Accounts	517	120	\$ 266		903
Grants			201	\$ 47,432	47,633
Refundable taxes	2,525	270			2,795
Total Assets	<u>\$ 105,554</u>	<u>\$ 5,841</u>	<u>\$ 467</u>	<u>\$ 47,432</u>	<u>\$ 159,294</u>
Liabilities:					
Accounts payable	\$ 11,778	\$ 2,142	\$ 467	\$ 47,432	\$ 61,819
Salaries payable	1,930				1,930
Total Liabilities	<u>\$ 13,708</u>	<u>\$ 2,142</u>	<u>\$ 467</u>	<u>\$ 47,432</u>	<u>\$ 63,749</u>
Deferred inflows of resources:					
Property taxes receivable	\$ 10,146	\$ 654			\$ 10,800
Total deferred inflows of resources	<u>\$ 10,146</u>	<u>\$ 654</u>			<u>\$ 10,800</u>
Fund balances:					
Restricted					
Stabilization by state statute	\$ 3,042	\$ 390			\$ 3,432
Economic development	71,127	2,655			73,782
Public safety					
Transportation					
Assigned					
Subsequent year's expenditures	7,531				7,531
Total fund balances	<u>\$ 81,700</u>	<u>\$ 3,045</u>			<u>\$ 84,745</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 105,554</u>	<u>\$ 5,841</u>	<u>\$ 467</u>	<u>\$ 47,432</u>	<u>\$ 159,294</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

Exhibit C-1

CAPITAL PROJECT FUNDS

	<u>Sidewalk Construction Project Fund</u>	<u>Highway 64 Sidewalk Improvement Project Fund</u>	<u>East Side Fire Station Construction Project Fund</u>	<u>Mud Creek Dump Project Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Assets						
Cash and cash equivalents						\$ 97,163
Restricted cash and cash equivalents	\$ 958,180		\$ 79,833		\$ 1,038,013	1,038,013
Receivables:						
Taxes (net)						10,800
Accounts						903
Grants				\$ 9,107	9,107	56,740
Refundable taxes			22,118		22,118	24,913
<u>Total Assets</u>	<u>\$ 958,180</u>		<u>\$ 101,951</u>	<u>\$ 9,107</u>	<u>\$ 1,069,238</u>	<u>\$ 1,228,532</u>
Liabilities:						
Accounts payable		\$ 1,263	\$ 27,047	\$ 9,107	\$ 37,417	\$ 99,236
Salaries payable						1,930
<u>Total Liabilities</u>		<u>\$ 1,263</u>	<u>\$ 27,047</u>	<u>\$ 9,107</u>	<u>\$ 37,417</u>	<u>\$ 101,166</u>
Deferred inflows of resources:						
Property taxes receivable						\$ 10,800
<u>Total deferred inflows of resources</u>						<u>\$ 10,800</u>
Fund balances:						
Restricted						
Stabilization by state Statute			\$ 22,118		\$ 22,118	\$ 25,550
Economic development						73,782
Public safety			52,786		52,786	52,786
Transportation	\$ 958,180	\$ (1,263)			956,917	956,917
Assigned						
Subsequent year's expenditures						7,531
<u>Total fund balances</u>	<u>\$ 958,180</u>	<u>\$ (1,263)</u>	<u>\$ 74,904</u>		<u>\$ 1,031,821</u>	<u>\$ 1,116,566</u>
<u>Total Liabilities, deferred inflows of resources and fund balances</u>	<u>\$ 958,180</u>	<u>\$ -</u>	<u>\$ 101,951</u>	<u>\$ 9,107</u>	<u>\$ 1,069,238</u>	<u>\$ 1,228,532</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C-2

SPECIAL REVENUE FUNDS						
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Governor's Highway Safety Bike Safe Hendersonville Grant Fund	Governor's Highway Safety Bike Safe Grant Fund	Oklawaha Greenway Phase 3 Grant Fund	Totals
Revenues:						
Ad valorem taxes	\$ 226,726	\$ 11,564				\$ 238,290
Unrestricted intergovernmental	100,600	2,500				103,100
Restricted intergovernmental			\$ 2,215	\$ 4,136	\$ 47,432	53,783
Special events income	154,456					154,456
Miscellaneous income	14,999	76				15,075
Investment earnings	497	13				510
Total Revenues	\$ 497,278	\$ 14,153	\$ 2,215	\$ 4,136	\$ 47,432	\$ 565,214
Expenditures:						
Public safety			\$ 2,215	\$ 4,136		\$ 6,351
Transportation					\$ 47,432	47,432
Environmental protection						
Economic and physical development	\$ 414,303	\$ 17,498				431,801
Total Expenditures	\$ 414,303	\$ 17,498	\$ 2,215	\$ 4,136	\$ 47,432	\$ 485,584
Revenues over (under) expenditures	\$ 82,975	\$ (3,345)	\$ -	\$ -	\$ -	\$ 79,630
Other financing sources / (uses):						
Transfer to General Fund	\$ (100,000)					\$ (100,000)
Total other financing sources / (uses)	\$ (100,000)					\$ (100,000)
Net change in fund balance	\$ (17,025)	\$ (3,345)	\$ -	\$ -	\$ -	\$ (20,370)
Fund balance, beginning	98,725	6,390	-	-	-	105,115
Fund balance, ending	\$ 81,700	\$ 3,045	\$ -	\$ -	\$ -	\$ 84,745

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C-2

CAPITAL PROJECT FUNDS

	<u>Sidewalk Construction Project Fund</u>	<u>Highway 64 Sidewalk Grant Project Fund</u>	<u>East Side Fire Station Construction Project Fund</u>	<u>Mud Creek Dump Project Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:						
Ad valorem taxes						\$ 238,290
Unrestricted intergovernmental						103,100
Restricted intergovernmental				\$ 9,107	\$ 9,107	62,890
Special events income						154,456
Miscellaneous income						15,075
Investment earnings	\$ 167		\$ 15		182	692
Total Revenues	<u>\$ 167</u>		<u>\$ 15</u>	<u>\$ 9,107</u>	<u>\$ 9,289</u>	<u>\$ 574,503</u>
Expenditures:						
Public safety			\$ 180,124		\$ 180,124	\$ 186,475
Transportation		\$ 1,263			1,263	48,695
Environmental protection				\$ 9,107	9,107	9,107
Economic and physical development						431,801
Total Expenditures		<u>\$ 1,263</u>	<u>\$ 180,124</u>	<u>\$ 9,107</u>	<u>\$ 190,494</u>	<u>\$ 676,078</u>
Revenues over (under) expenditures	<u>\$ 167</u>	<u>\$ (1,263)</u>	<u>\$ (180,109)</u>	<u>\$ -</u>	<u>\$ (181,205)</u>	<u>\$ (101,575)</u>
Other financing sources / (uses):						
Transfer to General Fund						\$ (100,000)
Total other financing sources / (uses)						<u>\$ (100,000)</u>
Net change in fund balance	\$ 167	\$ (1,263)	\$ (180,109)	\$ -	\$ (181,205)	\$ (201,575)
Fund balance, beginning	<u>958,013</u>	<u></u>	<u>255,013</u>	<u></u>	<u>1,213,026</u>	<u>1,318,141</u>
Fund balance, ending	<u>\$ 958,180</u>	<u>\$ (1,263)</u>	<u>\$ 74,904</u>	<u>\$ -</u>	<u>\$ 1,031,821</u>	<u>\$ 1,116,566</u>

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purchases.

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C-3

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 245,900	\$ 226,126	\$ (19,774)
Penalties and interest	1,650	600	(1,050)
	<u> </u>	<u> </u>	<u> </u>
Total	\$ 247,550	\$ 226,726	\$ (20,824)
	<u> </u>	<u> </u>	<u> </u>
Sales and use taxes	\$ 100,600	\$ 100,600	
Special events income	119,250	154,456	\$ 35,206
Miscellaneous income	25	14,999	14,974
Investment earnings	50	497	447
	<u> </u>	<u> </u>	<u> </u>
Total	\$ 219,925	\$ 270,552	\$ 50,627
	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 467,475	\$ 497,278	\$ 29,803
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Economic and physical development:			
Salaries and employee benefits	\$ 83,707	\$ 83,666	\$ 41
Operating expenses	217,443	197,535	19,908
Special events costs	144,325	133,102	11,223
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 445,475	\$ 414,303	\$ 31,172
	<u> </u>	<u> </u>	<u> </u>
Revenues over (under) expenditures	\$ 22,000	\$ 82,975	\$ 60,975
	<u> </u>	<u> </u>	<u> </u>
Other financing sources / (uses):			
Transfer to General Fund	\$ (100,000)	\$ (100,000)	
	<u> </u>	<u> </u>	<u> </u>
Fund balance appropriated	\$ 78,000		\$ (78,000)
	<u> </u>		<u> </u>
Net change in fund balance	<u> </u>	\$ (17,025)	\$ (17,025)
		<u> </u>	<u> </u>
Fund balance, beginning		98,725	
		<u> </u>	
Fund balance, ending		\$ 81,700	
		<u> </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, 2015

Exhibit C-4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 11,525	\$ 11,492	\$ (33)
Penalties and interest	<u>110</u>	<u>72</u>	<u>(38)</u>
Total	<u>\$ 11,635</u>	<u>\$ 11,564</u>	<u>\$ (71)</u>
Sales and use taxes	\$ 2,500	\$ 2,500	
Miscellaneous	4,300	76	\$ (4,224)
Investment earnings	<u>25</u>	<u>13</u>	<u>(12)</u>
Total	<u>\$ 6,825</u>	<u>\$ 2,589</u>	<u>\$ (4,236)</u>
Total revenues	<u>\$ 18,460</u>	<u>\$ 14,153</u>	<u>\$ (4,307)</u>
Expenditures:			
Economic and physical development:			
Operating expenses	<u>\$ 18,460</u>	<u>\$ 17,498</u>	<u>\$ 962</u>
Total expenditures	<u>\$ 18,460</u>	<u>\$ 17,498</u>	<u>\$ 962</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (3,345)</u>	<u>\$ (3,345)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ (3,345)</u></u>	<u><u>\$ (3,345)</u></u>
Fund balance, beginning		<u>6,390</u>	
Fund balance, ending		<u><u>\$ 3,045</u></u>	

SPECIAL REVENUE FUND
GOVERNOR'S HIGHWAY SAFETY PROGRAM
BIKE SAFE HENDERSONVILLE PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 163,319	\$ 102,843	\$ 2,215	\$ 105,058	\$ (58,261)
Total revenues	\$ 163,319	\$ 102,843	\$ 2,215	\$ 105,058	\$ (58,261)
Expenditures :					
Public safety					
Police department					
Operating expense	\$ 30,554	\$ 15,239	\$ 2,215	\$ 17,454	\$ 13,100
Capital outlay	132,765	87,604		87,604	45,161
Total expenditures	\$ 163,319	\$ 102,843	\$ 2,215	\$ 105,058	\$ 58,261
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			\$ -		
Fund balance, ending			\$ -		

SPECIAL REVENUE FUND

GOVERNOR'S HIGHWAY SAFETY PROGRAM

BIKE SAFE PRGRAM GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 10,000		\$ 4,136	\$ 4,136	\$ (5,864)
Total revenues	\$ 10,000	\$ -	\$ 4,136	\$ 4,136	\$ (5,864)
Expenditures :					
Public safety					
Police department					
Operating expense	\$ 10,000		\$ 4,136	\$ 4,136	\$ 5,864
Total expenditures	\$ 10,000	\$ -	\$ 4,136	\$ 4,136	\$ 5,864
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning					
Fund balance, ending			\$ -		

SPECIAL REVENUE FUND

OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant revenue	\$ 1,200,000	\$ 23,143	\$ 47,432	\$ 70,575	\$(1,129,425)
Total revenues	\$ 1,200,000	\$ 23,143	\$ 47,432	\$ 70,575	\$(1,129,425)
Expenditures:					
Transportation:					
Professional services	\$ 75,865	\$ 10,828	\$ 44,712	\$ 55,540	\$ 20,325
Engineering services	24,355	12,315	2,720	15,035	9,320
Capital outlay - other improvements	999,800				999,800
Contingencies	99,980				99,980
Total expenditures	\$ 1,200,000	\$ 23,143	\$ 47,432	\$ 70,575	\$ 1,129,425
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Capital Projects Funds

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

CAPITAL PROJECTS FUND

SIDEWALK CONSTRUCTION PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State grant	\$ 105,000	\$ 105,000		\$ 105,000	
Federal grant	325,000	325,000		325,000	
Local contributions	52,260	52,260		52,260	
Investment earnings	1,900	32,343	\$ 167	32,510	\$ 30,610
Total revenues	\$ 484,160	\$ 514,603	\$ 167	\$ 514,770	\$ 30,610
Expenditures :					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,345,850	\$ 1,467,544		\$ 1,467,544	\$ 878,306
Total expenditures	\$ 2,345,850	\$ 1,467,544		\$ 1,467,544	\$ 878,306
Revenues over (under) expenditures	\$ (1,861,690)	\$ (952,941)	\$ 167	\$ (952,774)	\$ 908,916
Other financing sources (uses):					
General obligation bonds issued	\$ 2,100,000	\$ 2,100,000		\$ 2,100,000	
Transfer to Hwy 64 Sidewalk Fund	(29,264)				\$ 29,264
Transfer to Main Street Cap Project	(209,046)	(189,046)		(189,046)	20,000
Total other financing sources (uses):	\$ 1,861,690	\$ 1,910,954		\$ 1,910,954	\$ 49,264
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 958,013	\$ 167	\$ 958,180	\$ 958,180
Fund balance, beginning			958,013		
Fund balance, ending			\$ 958,180		

CAPITAL PROJECTS FUND

HIGHWAY 64 SIDEWALK GRANT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant Revenue	\$ 234,116				\$ (234,116)
Local contributions	<u>29,265</u>				<u>(29,265)</u>
Total revenues	<u>\$ 263,381</u>				<u>\$ (263,381)</u>
Expenditures :					
Transportation:					
Capital outlay-					
street and sidewalk construction	<u>\$ 292,645</u>		<u>\$ 1,263</u>	<u>\$ 1,263</u>	<u>\$ 291,382</u>
Total expenditures	<u>\$ 292,645</u>		<u>\$ 1,263</u>	<u>\$ 1,263</u>	<u>\$ 291,382</u>
Revenues over (under) expenditures	<u>\$ (29,264)</u>		<u>\$ (1,263)</u>	<u>\$ (1,263)</u>	<u>\$ 28,001</u>
Other financing sources :					
Transfer from Water and Sewer Fund	<u>\$ 29,264</u>				<u>\$ (29,264)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>		<u>\$ (1,263)</u>	<u>\$ (1,263)</u>	<u>\$ (1,263)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (1,263)</u>		

**CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND**

Exhibit D-3

**EAST SIDE FIRE STATION CONSTRUCTION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

		Actual			
	Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 1,100	\$ 964	\$ 15	\$ 979	\$ (121)
Total revenues	\$ 1,100	\$ 964	\$ 15	\$ 979	\$ (121)
Expenditures:					
Public safety					
Fire Department					
Capital outlay-					
East Side Fire Station Construction	\$ 4,313,700	\$ 4,058,551	\$ 180,124	\$ 4,238,675	\$ 75,025
Total expenditures	\$ 4,313,700	\$ 4,058,551	\$ 180,124	\$ 4,238,675	\$ 75,025
Revenues over (under) expenditures	\$ (4,312,600)	\$ (4,057,587)	\$ (180,109)	\$ (4,237,696)	\$ 74,904
Other financing sources:					
Installment purchase obligation issued	\$ 3,600,000	\$ 3,600,000		\$ 3,600,000	
Transfer from:					
Capital Reserve Fund	175,171	175,171		175,171	
General Fund	537,429	537,429		537,429	
Total other financing sources	\$ 4,312,600	\$ 4,312,600		\$ 4,312,600	
Revenues and other financing sources over expenditures	\$ -	\$ 255,013	\$ (180,109)	\$ 74,904	\$ 74,904
Fund balance, beginning			255,013		
Fund balance, ending			\$ 74,904		

**CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND
MUD CREEK DUMP PROJECT**

Exhibit D-4

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant income	\$ 35,000		\$ 9,107	\$ 9,107	\$ (25,893)
Total revenues	\$ 35,000		\$ 9,107	\$ 9,107	\$ (25,893)
Expenditures:					
Mud Creek Dump Project					
Professional services	\$ 31,000		\$ 9,107	\$ 9,107	\$ 21,893
Contingencies	4,000				4,000
Total expenditures	\$ 35,000		\$ 9,107	\$ 9,107	\$ 25,893
Revenues over (under) expenditures	\$ -		\$ -	\$ -	\$ -

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
WATER AND SEWER FUND**

Exhibit E-1
Page 1 of 3

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 8,968,000	\$ 9,087,068	\$ 119,068
Sewer charges	4,426,850	4,503,032	76,182
Water and sewer taps	165,000	404,018	239,018
Other operating revenues:			
System development charges	336,500	601,235	264,735
Federal grant			
Other	150,500	132,430	(18,070)
Total operating revenues	\$ 14,046,850	\$ 14,727,783	\$ 680,933
Non-operating revenues:			
Investment earnings	\$ 113,500	\$ 153,113	\$ 39,613
Other non-operating revenues	76,200	44,615	(31,585)
Total non-operating revenues	\$ 189,700	\$ 197,728	\$ 8,028
Total revenues	\$ 14,236,550	\$ 14,925,511	\$ 688,961
Expenditures:			
Administration:			
Salaries and employee benefits	\$ 723,343	\$ 754,844	\$ (31,501)
Contracted services	326,762	285,923	40,839
Engineering department expense	82,500	59,737	22,763
Supplies	15,200	11,367	3,833
Other departmental expenses	215,900	189,055	26,845
Total	\$ 1,363,705	\$ 1,300,926	\$ 62,779
Business operations:			
Salaries and employee benefits	\$ 362,413	\$ 403,765	\$ (41,352)
Supplies	26,875	23,128	3,747
Other departmental expenses	463,192	437,222	25,970
Total	\$ 852,480	\$ 864,115	\$ (11,635)
Operations and maintenance:			
Salaries and employee benefits	\$ 403,527	\$ 381,396	\$ 22,131
Utilities	251,000	242,078	8,922
Supplies	35,000	39,302	(4,302)
Other departmental expenses	405,508	337,945	67,563
Total	\$ 1,095,035	\$ 1,000,721	\$ 94,314

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND**

Exhibit E-1
Page 2 of 3

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water treatment plant:			
Salaries and employee benefits	\$ 620,125	\$ 611,725	\$ 8,400
Contracted services	360,500	85,989	274,511
Utilities	323,200	296,619	26,581
Chemicals	432,000	438,063	(6,063)
Supplies	52,300	49,406	2,894
Other departmental expenses	<u>132,920</u>	<u>138,143</u>	<u>(5,223)</u>
Total	<u>\$ 1,921,045</u>	<u>\$ 1,619,945</u>	<u>\$ 301,100</u>
Field operations:			
Salaries and employee benefits	\$ 666,178	\$ 562,650	\$ 103,528
Supplies	36,760	36,649	111
Other departmental expenses	<u>215,868</u>	<u>195,019</u>	<u>20,849</u>
Total	<u>\$ 918,806</u>	<u>\$ 794,318</u>	<u>\$ 124,488</u>
Water line maintenance:			
Salaries and employee benefits	\$ 660,635	\$ 670,592	\$ (9,957)
Contracted services	216,300	516,662	(300,362)
Issues from inventory	325,000	254,496	70,504
Supplies	182,229	121,495	60,734
Other departmental expenses	<u>422,765</u>	<u>130,247</u>	<u>292,518</u>
Total	<u>\$ 1,806,929</u>	<u>\$ 1,693,492</u>	<u>\$ 113,437</u>
Waste treatment plant:			
Salaries and employee benefits	\$ 611,097	\$ 598,824	\$ 12,273
Contracted services	24,100	22,311	1,789
Sludge management	299,000	280,812	18,188
Utilities	347,800	267,040	80,760
Supplies	30,300	17,391	12,909
Other departmental expenses	<u>182,525</u>	<u>180,427</u>	<u>2,098</u>
Total	<u>\$ 1,494,822</u>	<u>\$ 1,366,805</u>	<u>\$ 128,017</u>
Sewer line maintenance:			
Salaries and employee benefits	\$ 481,146	\$ 487,842	\$ (6,696)
Contracted services	43,000	40,458	2,542
Issues from inventory	30,000	15,845	14,155
Supplies	65,000	63,557	1,443
Other departmental expenses	<u>561,342</u>	<u>174,460</u>	<u>386,882</u>
Total	<u>\$ 1,180,488</u>	<u>\$ 782,162</u>	<u>\$ 398,326</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit E-1
Page 3 of 3

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt Service:			
Interest	\$ 675,395	\$ 611,933	\$ 63,462
Debt principal	2,641,892	2,641,891	1
Capital outlay:			
Equipment	870,967	775,269	95,698
Land and rights of way		6,300	(6,300)
Buildings and improvements	7,500	13,671	(6,171)
Water lines	1,560,000	968,859	591,141
Sewer lines	43,000	8,805,780	(8,762,780)
Computer software		96,000	(96,000)
Total	<u>\$ 5,798,754</u>	<u>\$ 13,919,703</u>	<u>\$ (8,120,949)</u>
Total expenditures	<u>\$ 16,432,064</u>	<u>\$ 23,342,187</u>	<u>\$ (6,910,123)</u>
Revenues over (under) expenditures	<u>\$ (2,195,514)</u>	<u>\$ (8,416,676)</u>	<u>\$ (6,221,162)</u>
Other financing sources (uses):			
Transfer from other funds:			
Capital Projects Funds		\$ 36,338	\$ 36,338
Transfer to other funds:			
Capital Projects Funds	\$ (4,655,460)	(4,655,460)	
Installment obligations issued -			
State Revolving Loan Fund		9,023,195	9,023,195
Sale of fixed assets	5,000	6,000	1,000
Total other financing sources (uses)	<u>\$ (4,650,460)</u>	<u>\$ 4,410,073</u>	<u>\$ 9,060,533</u>
Fund balance appropriated	<u>\$ (6,845,974)</u>		<u>\$ (6,845,974)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (4,006,603)</u>	<u>\$ (4,006,603)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital contributions		1,177,512	
Installment obligations issued - State Revolving Loan Fund		(9,023,195)	
Payment of debt principal		2,641,891	
Capital outlay		10,665,879	
Transfers to / (from) capital projects funds		4,619,122	
Increase in bond and note interest accrued		(24,646)	
Depreciation		(6,177,784)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		280,986	
Pension expense		(21,770)	
Increase in compensated absences		(69,887)	
Change in net position		<u>\$ 61,505</u>	

ENVIRONMENTAL SERVICE FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Waste collection:			
Base charge (all users)	\$ 82,125	\$ 82,853	\$ 728
Residential	957,552	932,613	(24,939)
Commercial	<u>84,252</u>	<u>115,456</u>	<u>31,204</u>
Total operating revenues	<u>\$ 1,123,929</u>	<u>\$ 1,130,922</u>	<u>\$ 6,993</u>
Non-operating revenues:			
Investment earnings	\$ 2,200	\$ 4,654	\$ 2,454
Recycling revenue	4,500	28,694	24,194
Miscellaneous	<u>7,060</u>	<u>12,497</u>	<u>5,437</u>
Total non-operating revenues	<u>\$ 13,760</u>	<u>\$ 45,845</u>	<u>\$ 32,085</u>
Total revenues	<u>\$ 1,137,689</u>	<u>\$ 1,176,767</u>	<u>\$ 39,078</u>
Expenditures:			
Waste collection and treatment:			
Salaries and employee benefits	\$ 650,919	\$ 624,452	\$ 26,467
Landfill tipping fees	200,000	191,543	8,457
Other departmental expenses	217,905	213,542	4,363
Contracted services	<u>66,865</u>	<u>67,213</u>	<u>(348)</u>
Total	<u>\$ 1,135,689</u>	<u>\$ 1,096,750</u>	<u>\$ 38,939</u>
Capital outlay	<u>\$ 2,000</u>		<u>\$ 2,000</u>
Total expenditures	<u>\$ 1,137,689</u>	<u>\$ 1,096,750</u>	<u>\$ 40,939</u>
Revenues over (under) expenditures	<u>\$ -</u>	\$ 80,017	<u>\$ 80,017</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(112,218)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		39,223	
Pension expense		(3,038)	
Increase in compensated absences		<u>(5,572)</u>	
Change in net position		<u>\$ (1,588)</u>	

Enterprise Capital Project Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
BRITTON CREEK WATERSHED PROJECT

Exhibit E-3

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant income	\$ 121,528	\$ 5,026	\$ 7,000	\$ 12,026	\$(109,502)
Public contributions	64,770				(64,770)
Total revenues	\$ 186,298	\$ 5,026	\$ 7,000	\$ 12,026	\$(174,272)
Expenditures:					
Britton Creek Waterline Project					
Professional services	\$ 39,679	\$ 5,026	\$ 7,000	\$ 12,026	\$ 27,653
Engineering services	290,105				290,105
Capital outlay - other improvements	52,066				52,066
Total expenditures	\$ 381,850	\$ 5,026	\$ 7,000	\$ 12,026	\$ 369,824
Revenues over (under) expenditures	\$ (195,552)	\$ -	\$ -	\$ -	\$ 195,552
Other financing sources:					
Transfer from General Fund	\$ 23,152				\$ (23,152)
Transfer from Water and Sewer Fund	172,400				(172,400)
Total other financing sources	\$ 195,552				\$(195,552)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
ACADEMY ROAD WATERLINE PROJECT**

Exhibit E-4

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 1,040,500	\$ 469,988	\$ 570,512	\$ 1,040,500	\$ -
Total revenues	\$ 1,040,500	\$ 469,988	\$ 570,512	\$ 1,040,500	\$ -
Expenditures:					
Professional services	\$ 174,500	\$ 86,455	\$ 78,095	\$ 164,550	\$ 9,950
Engineering services	87,400	87,400		87,400	
Capital outlay - other improvements	747,438	296,133	467,502	763,635	(16,197)
Contingencies	67,500				67,500
Total expenditures	\$ 1,076,838	\$ 469,988	\$ 545,597	\$ 1,015,585	\$ 61,253
Revenues over (under) expenditures	\$ (36,338)	\$ -	\$ 24,915	\$ 24,915	\$ 61,253
Other financing sources (uses):					
Transfer from Water and Sewer Fund	\$ 36,338	\$ 36,338		\$ 36,338	
Transfer to Water and Sewer Fund			\$ (36,338)	(36,338)	\$ (36,338)
Total other financing sources / (uses)	\$ 36,338	\$ 36,338	\$ (36,338)	\$ -	\$ (36,338)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 36,338	\$ (11,423)	\$ 24,915	\$ 24,915

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
WOLF PEN SEWER LINE PROJECT**

Exhibit E-5

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Wolfpen Sewer Line:					
Professional services	\$ 82,352	\$ 57,352		\$ 57,352	\$ 25,000
Engineering services		5,475		5,475	(5,475)
Capital outlay - other improvements	2,731,043	127,086	\$ 2,817,991	2,945,077	(214,034)
Contingencies	136,552		30,100	30,100	106,452
Total expenditures	<u>\$ 2,949,947</u>	<u>\$ 189,913</u>	<u>\$ 2,848,091</u>	<u>\$ 3,038,004</u>	<u>\$ (88,057)</u>
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 2,867,595		\$ 2,867,595	\$ 2,867,595	
Transfer from Water and Sewer Fund	82,352	\$ 82,352		\$ 82,352	
Total other financing sources	<u>\$ 2,949,947</u>	<u>\$ 82,352</u>	<u>\$ 2,867,595</u>	<u>\$ 2,949,947</u>	
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$(107,561)</u>	<u>\$ 19,504</u>	<u>\$ (88,057)</u>	<u>\$ (88,057)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
JACKSON PARK SEWER INTERCEPTOR PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit E-6

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Jackson Park Sewer Interceptor:					
Professional services	\$ 70,532	\$ 45,531	\$ 61,363	\$ 106,894	\$ (36,362)
Engineering services	300,000	16,320	237,742	254,062	45,938
Capital outlay - land	150,000	106,891		106,891	43,109
Capital outlay - other improvements	4,402,958	1,691,604	3,284,331	4,975,935	(572,977)
Loan expense	86,812	86,812		86,812	
Contingencies	182,115				182,115
Total expenditures	\$ 5,192,417	\$ 1,947,158	\$3,583,436	\$ 5,530,594	\$ (338,177)
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 4,340,600		\$4,340,600	\$ 4,340,600	
Transfer from Water and Sewer Fund	851,817	851,817	536,260	1,388,077	\$ 536,260
Total other financing sources	\$ 5,192,417	\$ 851,817	\$4,876,860	\$ 5,728,677	\$ 536,260
Other financing sources over (under) expenditures	\$ -	\$ (1,095,341)	\$1,293,424	\$ 198,083	\$ 198,083

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND**

Exhibit E-7

**SHEPHERD CREEK / ATKINSON ELEMENTARY SEWER LINE PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution - Henderson County	\$ 600,000		\$ 600,000	\$ 600,000	
Total revenues	<u>\$ 600,000</u>		<u>\$ 600,000</u>	<u>\$ 600,000</u>	
Expenditures:					
Shepherd Creek / Atkinson Elementary Sewer Line:					
Professional services	\$ 40,000	\$ 4,860		\$ 4,860	\$ 35,140
Engineering services	240,000	72,973		72,973	167,027
Capital outlay - land		35,107	\$ 648	35,755	(35,755)
Capital outlay - other improvements	2,055,829	89,111	2,360,431	2,449,542	(393,713)
Loan expense	36,300	36,300		36,300	
Contingencies	102,792		1,837	1,837	100,955
Total expenditures	<u>\$ 2,474,921</u>	<u>\$ 238,351</u>	<u>\$ 2,362,916</u>	<u>\$ 2,601,267</u>	<u>\$ (126,346)</u>
Revenues over (under) expenditures	<u>\$(1,874,921)</u>	<u>\$ (238,351)</u>	<u>\$(1,762,916)</u>	<u>\$(2,001,267)</u>	<u>\$ (126,346)</u>
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 1,815,000		\$ 1,815,000	\$ 1,815,000	
Transfer from Water and Sewer Fund	59,921		300,000	300,000	\$ 240,079
Total other financing sources	<u>\$ 1,874,921</u>		<u>\$ 2,115,000</u>	<u>\$ 2,115,000</u>	<u>\$ 240,079</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (238,351)</u>	<u>\$ 352,084</u>	<u>\$ 113,733</u>	<u>\$ 113,733</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
WATER TREATMENT PLANT PROJECT**

Exhibit E-8

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

		Actual			
Project Author- ization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)	
Expenditures:					
Water Treatment Plant Project					
Professional services	\$ 114,000		\$ 91,830	\$ 22,170	
Capital outlay - other improvements	1,700,000			1,700,000	
Contingencies	350,000			350,000	
	\$ 2,164,000		\$ 91,830	\$ 2,072,170	
Other financing sources:					
Transfer from Water and Sewer Fund	\$ 2,164,000			\$(2,164,000)	
	\$ 2,164,000			\$(2,164,000)	
Revenues and other sources over (under) expenditures	\$ -		\$ (91,830)	\$ (91,830)	

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
ETOWAH PROJECT**

Exhibit E-9

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Capital outlay - land	\$ 50,000		\$ 49,900	\$ 49,900	\$ 100
Professional services	383,000				383,000
Capital outlay - other improvements	2,944,200				2,944,200
Contingencies	442,000				442,000
Total expenditures	\$ 3,819,200		\$ 49,900	\$ 49,900	\$ 3,769,300
Other financing sources:					
Transfer from Water and Sewer Fund	\$ 3,819,200		\$3,819,200	\$3,819,200	
Total other financing sources	\$ 3,819,200		\$3,819,200	\$3,819,200	
Revenues and other sources over (under) expenditures	\$ -		\$3,769,300	\$3,769,300	\$ 3,769,300

Internal Service Funds

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

INTERNAL SERVICE FUND - HEALTH AND WELFARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -- FINANCIAL PLAN AND ACTUAL (NON- GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:	\$ 198,500	\$ 100,000	\$ (98,500)
Grant revenue	6,000	6,000	
Miscellaneous	6,300	9,003	2,703
	<u>\$ 210,800</u>	<u>\$ 115,003</u>	<u>\$ (95,797)</u>
Total			
Investment earnings	<u>\$ 150</u>	<u>\$ 48</u>	<u>\$ (102)</u>
Total revenues	<u>\$ 210,950</u>	<u>\$ 115,051</u>	<u>\$ (95,899)</u>
Expenditures:			
Employee benefits:	<u>\$ 310,950</u>	<u>\$ 265,731</u>	<u>\$ 45,219</u>
Total expenditures	<u>\$ 310,950</u>	<u>\$ 265,731</u>	<u>\$ 45,219</u>
Revenues over (under) expenditures	\$ (100,000)	\$ (150,680)	\$ (50,680)
Fund balance appropriated	<u>100,000</u>		<u>(100,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	\$ (150,680)	<u>\$ (150,680)</u>
Fund balance, beginning		<u>268,730</u>	
Fund balance, ending		<u>\$ 118,050</u>	

Agency Funds

Agency Funds are used to account for assets that are held by the government as an agent for individuals, private organizations, other governments, and/or funds.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
FINES AND FORFEITURES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit G-1

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and investments	<u>\$ 854</u>	<u>\$ 3,962</u>	<u>\$ 3,072</u>	<u>\$ 1,744</u>
LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 854</u>	<u>\$ 3,962</u>	<u>\$ 3,072</u>	<u>\$ 1,744</u>



**SCHEDULES
SECTION**



**Property
Taxes**

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Exhibit I-1

Fiscal year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015		\$ 7,476,412	\$ 7,328,671	\$ 147,741
2013-2014	\$ 94,046	3,890	64,270	33,666
2012-2013	25,016	709	15,935	9,790
2011-2012	21,301		9,028	12,273
2010-2011	10,525	5	9	10,521
2009-2010	9,824			9,824
2008-2009	17,182		333	16,849
2007-2008	19,233		12	19,221
2006-2007	13,036		190	12,846
2005-2006	9,069			9,069
2004-2005	7,215		7,215	
	\$ 226,447	\$ 7,481,016	\$ 7,425,663	\$ 281,800
Less allowance for uncollectible ad valorem taxes receivable				113,349
Ad valorem taxes receivable, net				\$ 168,451
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 7,428,148
Penalties collected on ad valorem taxes - Agency Fund				3,860
Reconciling items:				
Interest collected				(19,720)
Discounts allowed				6,160
Taxes written off after 10 years				7,215
Total collections and credits				\$ 7,425,663

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit I-2

	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 1,699,185,059	\$ 0.44	\$ 7,474,039	\$ 6,949,123	\$ 524,916
Penalties			2,855	2,855	
Total	\$ 1,699,185,059		\$ 7,476,894	\$ 6,951,978	\$ 524,916
Discoveries:					
Current year taxes	\$ 4,531,136		\$ 19,937	\$ 19,937	
Penalties			1,004	1,004	
Abatements:	\$ (4,868,864)		\$ (21,423)	\$ (21,423)	
Total property valuation	\$ 1,698,847,332				
Net levy			\$ 7,476,412	\$ 6,951,496	\$ 524,916
Uncollected taxes at June 30, 2015			147,741	144,056	3,685
Current year's taxes collected			\$ 7,328,671	\$ 6,807,440	\$ 521,231
Current levy collection percentage			98.02%	97.93%	99.30%

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit I-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,554,693,182
Personal Property	119,299,150
Public Service Companies (2)	<u>24,855,000</u>
Total Assessed Valuation	<u><u>\$ 1,698,847,332</u></u>
Tax Rate per \$100	<u>\$ 0.44</u>
Levy (includes discoveries, releases, abatements)	<u><u>\$ 7,476,412</u></u>

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA Exhibit I-2b
CITY-WIDE LEVY
PRINCIPAL TAXPAYERS
JUNE 30, 2015

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u>
Triangle Real Estate	Real Estate Rental	\$ 33,428,900	1.97%
Ingles Markets, Inc.	Grocery Chain	33,069,931	1.95%
Wal-Mart Stores, Inc.	Retail Sales	18,069,700	1.06%
Highland Investors, LLC	Nursing Homes	16,961,752	1.00%
Boyd L. Hyder	Entrepreneur	16,286,300	0.96%
First Citizens Bank	Bank	12,719,997	0.75%
Lowes Home Centers	Retail Sales	11,616,491	0.68%
Henderson Crossing Shopping Center	Retail Sales	11,588,400	0.68%
Home Depot	Retail Sales	10922540	0.64%
Lake Pointe Landing	Nursing Homes	10,329,200	0.61%
Blue Ridge Mall, Ltd.	Retail Sales	9,532,088	0.56%
Bell South	Utility	<u>7,155,666</u>	<u>0.42%</u>
	Total	<u>\$191,680,965</u>	<u>11.28%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Exhibit I-3

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015		\$ 232,344	\$ 226,915	\$ 5,429
2013-2014	\$ 4,307		1,435	2,872
2012-2013	1,282		76	1,206
2011-2012	1,148		116	1,032
2010-2011	61			61
2009-2010	1,049			1,049
2008-2009	701		205	496
2007-2008	959		8	951
2006-2007	734			734
2005-2006	246			246
2004-2005	396		396	
	<u>\$ 10,883</u>	<u>\$ 232,344</u>	<u>\$ 229,151</u>	<u>\$ 14,076</u>
Less allowance for uncollectible ad valorem taxes receivable				3,930
Ad valorem taxes receivable - net				\$ 10,146
Reconcilement with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 226,726
Penalties collected on ad valorem taxes - Agency Fund				91
Reconciling items:				
Interest collected				(571)
Discounts allowed				2,509
Taxes written off after 10 years				396
Total collections and credits				\$ 229,151

**CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit I-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 82,514,425	\$ 0.28	\$ 231,040	\$ 228,179	\$ 2,861
Penalties			63	63	
Total	\$ 82,514,425		\$ 231,103	\$ 228,242	\$ 2,861
Discoveries:					
Current year taxes	\$ 908,929		\$ 2,545	\$ 2,545	
Penalties			28	28	
Abatements:	\$ (475,714)		\$ (1,332)	\$ (1,332)	
Total property valuation	\$ 82,947,640				
Net levy			\$ 232,344	\$ 229,483	\$ 2,861
Uncollected taxes at June 30, 2015			5,429	5,429	
Current year's taxes collected			\$ 226,915	\$ 224,054	\$ 2,861
Current levy collection percentage			97.66%	97.63%	100.00%

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Exhibit I-5

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015		\$ 11,789	\$ 11,380	\$ 409
2013-2014	\$ 343		343	
2012-2013	56		56	
2011-2012				
2010-2011				
2009-2010	9			9
2008-2009	145			145
2007-2008	109			109
2006-2007	44			44
2005-2006	10			10
2004-2005	26		26	
	<u>\$ 742</u>	<u>\$ 11,789</u>	<u>\$ 11,805</u>	<u>\$ 726</u>
Less allowance for uncollectible ad valorem taxes receivable				73
Ad valorem taxes receivable - net				<u>\$ 653</u>
Reconciliation with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 11,564
Penalties collected on ad valorem taxes - Agency Fund				11
Reconciling items:				
Interest collected				(66)
Discounts allowed				270
Taxes written off after 10 years				26
Total collections and credits				<u>\$ 11,805</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit I-6

	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 10,033,333	\$ 0.12	\$ 12,040	\$ 10,992	\$ 1,048
Penalties			11	11	
Total	\$ 10,033,333		\$ 12,051	\$ 11,003	\$ 1,048
Abatements:	\$ (218,333)		\$ (262)	\$ (262)	
Total property valuation	\$ 9,815,000				
Net levy			\$ 11,789	\$ 10,741	\$ 1,048
Uncollected taxes at June 30, 2015			409	409	
Current year's taxes collected			\$ 11,380	\$ 10,332	\$ 1,048
Current levy collection percentage			96.53%	96.19%	100.00%

STATISTICAL SECTION

This part of the City of Hendersonville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	111
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	123
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.	130
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.	136
Operation 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.	138

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NET POSITION BY COMPONENT

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066	\$ 13,737,365	\$ 16,738,488
Restricted	319,781	56,300	202,518	277,209	171,898
Unrestricted	10,440,777	10,672,865	9,878,504	11,249,729	8,059,282
Total Governmental Activities Net Position	<u>\$ 22,874,740</u>	<u>\$ 23,566,607</u>	<u>\$ 25,256,088</u>	<u>\$ 25,264,303</u>	<u>\$ 24,969,668</u>
Business-Type Activities					
Net Investment in Capital Assets	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938	\$ 43,280,673	\$ 48,628,499
Unrestricted	23,287,979	27,258,221	36,038,335	22,481,842	20,179,419
Total Business-Type Activities Net Position	<u>\$ 55,139,835</u>	<u>\$ 60,473,215</u>	<u>\$ 64,108,273</u>	<u>\$ 65,762,515</u>	<u>\$ 68,807,918</u>
Primary Government					
Net Position in Capital Assets	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004	\$ 57,018,038	\$ 65,366,987
Restricted	319,781	56,300	202,518	277,209	171,898
Unrestricted	33,728,756	37,931,086	45,916,839	33,731,571	28,238,701
Total Primary Government Net Position	<u>\$ 78,014,575</u>	<u>\$ 84,039,822</u>	<u>\$ 89,364,361</u>	<u>\$ 91,026,818</u>	<u>\$ 93,777,586</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NET POSITION BY COMPONENT

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 16,829,139	\$ 17,530,422	\$ 17,077,486	\$ 17,860,656	\$ 17,342,281
Restricted	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638
Unrestricted	5,212,143	4,376,180	1,970,572	4,307,191	4,385,617
Total Governmental Activities Net Position	<u>\$ 25,088,847</u>	<u>\$ 24,864,375</u>	<u>\$ 24,910,553</u>	<u>\$ 24,505,775</u>	<u>\$ 24,037,536</u>
Business-Type Activities					
Net Investment in Capital Assets	\$ 50,127,849	\$ 51,057,598	\$ 51,168,791	\$ 54,082,358	\$ 52,399,169
Unrestricted	21,453,888	23,526,746	25,322,705	24,452,509	26,030,616
Total Business-Type Activities Net Position	<u>\$ 71,581,737</u>	<u>\$ 74,584,344</u>	<u>\$ 76,491,496</u>	<u>\$ 78,534,867</u>	<u>\$ 78,429,785</u>
Primary Government					
Net Position in Capital Assets	\$ 66,956,988	\$ 68,588,020	\$ 68,246,277	\$ 71,943,014	\$ 69,741,450
Restricted	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638
Unrestricted	26,666,031	27,902,926	27,293,277	28,759,700	30,416,233
Total Primary Government Net Position	<u>\$ 96,670,584</u>	<u>\$ 99,448,719</u>	<u>\$ 101,402,049</u>	<u>\$ 103,040,642</u>	<u>\$ 102,467,321</u>

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses					
Governmental Activities:					
General Government	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039	\$ 2,043,475	\$ 2,181,689
Public Safety	4,960,503	5,248,972	5,904,878	6,046,707	6,230,577
Transportation	1,191,132	1,583,224	1,582,437	1,928,695	1,869,352
Environmental Protection	493,727	464,033	515,024	799,405	223,094
Economic and Physical Development	180,915	365,940	239,525	342,472	453,538
Cultural and Recreation	133,574	161,687	220,864	197,333	588,305
Interest on Long-Term Obligations	215,476	211,358	186,416	232,634	229,642
Total Governmental Activities	<u>8,765,539</u>	<u>9,804,204</u>	<u>10,696,183</u>	<u>11,590,721</u>	<u>11,776,197</u>
Business-Type Activities:					
Water and Sewer Fund	8,925,895	9,349,299	10,498,295	11,243,016	10,278,199
Environmental Services Fund	989,812	948,235	965,119	1,016,654	1,011,039
Total Business-Type Activities	<u>9,915,707</u>	<u>10,297,534</u>	<u>11,463,414</u>	<u>12,259,670</u>	<u>11,289,238</u>
Total Expenses	<u>\$ 18,681,246</u>	<u>\$ 20,101,738</u>	<u>\$ 22,159,597</u>	<u>\$ 23,850,391</u>	<u>\$ 23,065,435</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	161,804	133,358	159,579	154,633	153,171
Transportation	59,204	73,357	70,791	72,426	69,058
Parks and Drainage	21,030	21,350	23,450	17,850	15,000
Cultural and Recreational	84,178	101,780	119,147	145,221	154,555
Other Activities	-	-	-	-	-
Operating Grants and Contributions	509,555	410,529	497,857	511,908	627,018
Capital Grants and Contributions	726,529	162,159	178,328	214,998	400,000
Total Governmental Activities	<u>1,562,300</u>	<u>902,533</u>	<u>1,049,152</u>	<u>1,117,036</u>	<u>1,418,802</u>
Business-Type Activities:					
Charges for Services:					
Water and Sewer Fund	12,586,225	13,112,540	12,846,457	12,040,335	12,892,729
Other Activities	507,746	530,470	543,892	671,189	695,814
Capital Grants and Contributions	660,761	-	-	292,577	216,558
Total Business-Type Activities	<u>13,754,732</u>	<u>13,643,010</u>	<u>13,390,349</u>	<u>13,004,101</u>	<u>13,805,101</u>
Total Program Revenues	<u>\$ 15,317,032</u>	<u>\$ 14,545,543</u>	<u>\$ 14,439,501</u>	<u>\$ 14,121,137</u>	<u>\$ 15,223,903</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental Activities:					
General Government	\$ 2,152,324	\$ 2,301,254	\$ 2,359,071	\$ 2,374,428	\$ 2,813,625
Public Safety	6,256,423	6,910,168	6,281,514	6,604,475	6,702,566
Transportation	2,155,725	2,116,715	2,046,441	2,375,395	2,795,044
Environmental Protection	642,849	589,902	596,425	626,450	484,528
Economic and Physical Development	262,751	405,416	311,086	455,811	428,450
Cultural and Recreation	200,772	237,833	200,928	215,403	537,955
Interest on Long-Term Obligations	215,749	197,996	231,074	346,513	318,140
Total Governmental Activities	<u>11,886,593</u>	<u>12,759,284</u>	<u>12,026,539</u>	<u>12,998,475</u>	<u>14,080,308</u>
Business-Type Activities:					
Water and Sewer Fund	10,784,165	11,291,143	12,326,878	12,815,116	16,047,518
Environmental Services Fund	1,014,552	1,064,379	993,094	1,344,981	1,178,355
Total Business-Type Activities	<u>11,798,717</u>	<u>12,355,522</u>	<u>13,319,972</u>	<u>14,160,097</u>	<u>17,225,873</u>
Total Expenses	<u>\$ 23,685,310</u>	<u>\$ 25,114,806</u>	<u>\$ 25,346,511</u>	<u>\$ 27,158,572</u>	<u>\$ 31,306,181</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ -	\$ -	\$ -	\$ -	\$ 39,153
Public Safety	163,982	156,625	219,158	217,156	76,401
Transportation	73,432	83,540	75,042	98,555	-
Parks and Drainage	11,850	23,500	5,500	16,000	-
Cultural and Recreational	164,349	160,737	162,593	168,084	323,572
Other Activities	-	-	-	-	-
Operating Grants and Contributions	823,010	925,970	646,346	433,681	680,540
Capital Grants and Contributions	75,000	390,000	-	60,079	53,783
Total Governmental Activities	<u>1,311,623</u>	<u>1,740,372</u>	<u>1,108,639</u>	<u>993,555</u>	<u>1,173,449</u>
Business-Type Activities:					
Charges for Services:					
Water and Sewer Fund	13,386,511	14,031,234	13,708,469	14,137,450	14,727,783
Other Activities	837,913	868,123	928,295	1,064,783	1,130,922
Capital Grants and Contributions	285,014	122,019	-	580,014	1,177,512
Total Business-Type Activities	<u>14,509,438</u>	<u>15,021,376</u>	<u>14,636,764</u>	<u>15,782,247</u>	<u>17,036,217</u>
Total Program Revenues	<u>\$ 15,821,061</u>	<u>\$ 16,761,748</u>	<u>\$ 15,745,403</u>	<u>\$ 16,775,802</u>	<u>\$ 18,209,666</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2006	2007	2008	2009	2010
Net (Expense)/Revenue					
Governmental Activities	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)	\$ (10,473,685)	\$ (10,357,395)
Business-Type Activities	3,839,025	3,345,476	1,926,935	744,431	2,515,863
Total Net Expense	<u>\$ (3,364,214)</u>	<u>\$ (5,556,195)</u>	<u>\$ (7,720,096)</u>	<u>\$ (9,729,254)</u>	<u>\$ (7,841,532)</u>
General Revenues					
Governmental Activities:					
Property Taxes	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539
Sales & Use Tax	2,551,264	2,757,165	2,586,493	2,258,827	2,101,938
Other Taxes	79,707	76,478	80,352	88,077	158,441
Unrestricted Intergovernmental Revenue	912,419	981,492	1,157,165	1,321,124	1,283,006
Restricted Intergovernmental Revenue	1,320,271	658,093	699,273	744,405	1,113,434
Permits and Fees	169,562	143,643	35,510	18,252	21,647
Sales and Services	170,312	200,012	217,213	237,772	241,313
Investment Earnings	620,041	1,080,909	881,739	259,049	43,068
Transfers					
Miscellaneous	389,192	66,171	141,330	290,705	156,538
Total Governmental Activities	<u>11,709,130</u>	<u>11,767,279</u>	<u>12,490,745</u>	<u>11,892,771</u>	<u>12,028,924</u>
Business-Type activities:					
Investment Earnings	511,490	699,364	867,850	451,425	31,163
Transfers	100,880	875,880	100,880	100,880	100,880
Miscellaneous	20,370	5,778	4,680	29,639	9,884
Total Business-Type Activities	<u>632,740</u>	<u>1,581,022</u>	<u>973,410</u>	<u>581,944</u>	<u>141,927</u>
Total Primary Government	<u>12,341,870</u>	<u>13,348,301</u>	<u>13,464,155</u>	<u>12,474,715</u>	<u>12,170,851</u>
Change in Net Position:					
Governmental Activities	4,505,891	2,865,608	2,843,714	1,419,086	1,671,529
Business-Type Activities	4,471,765	4,926,498	2,900,345	1,326,375	2,657,790
Total Change in Net Position	<u>\$ 8,977,656</u>	<u>\$ 7,792,106</u>	<u>\$ 5,744,059</u>	<u>\$ 2,745,461</u>	<u>\$ 4,329,319</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2011	2012	2013	2014	2015
Net (Expense)/Revenue					
Governmental Activities	\$ (10,574,970)	\$ (11,018,912)	\$ (10,917,900)	\$ (12,004,920)	\$ (12,906,859)
Business-Type Activities	2,710,721	2,665,854	1,316,792	1,622,150	(189,656)
Total Net Expense	<u>\$ (7,864,249)</u>	<u>\$ (8,353,058)</u>	<u>\$ (9,601,108)</u>	<u>\$ (10,382,770)</u>	<u>\$ (13,096,515)</u>
General Revenues					
Governmental Activities:					
Property Taxes	\$ 6,937,950	\$ 7,020,873	\$ 7,043,951	\$ 7,289,030	\$ 7,745,067
Sales & Use Tax	2,134,526	2,257,061	2,404,610	2,544,355	2,783,936
Other Taxes	88,077	546,179	531,600	402,294	402,398
Unrestricted Intergovernmental Revenue	1,703,333	1,277,026	1,298,877	1,056,875	1,278,651
Restricted Intergovernmental Revenue	975,848	1,393,807	746,012	379,744	
Permits and Fees	25,573	21,893	49,630	71,455	177,883
Sales and Services	251,706	269,352	245,360		
Investment Earnings	24,430	15,046	11,245	16,374	53,142
Transfers				(228,720)	
Miscellaneous	211,301	135,760	122,713	68,735	234,357
Total Governmental Activities	<u>12,352,744</u>	<u>12,936,997</u>	<u>12,453,998</u>	<u>11,600,142</u>	<u>12,675,434</u>
Business-Type activities:					
Investment Earnings	22,068	18,426	15,033	34,318	157,767
Transfers	100,880	100,880	100,880	228,720	-
Miscellaneous	12,455	17,332	9,625	158,183	91,806
Total Business-Type Activities	<u>135,403</u>	<u>136,638</u>	<u>125,538</u>	<u>421,221</u>	<u>249,573</u>
Total Primary Government	<u>12,488,147</u>	<u>13,073,635</u>	<u>12,579,536</u>	<u>12,021,363</u>	<u>12,925,007</u>
Change in Net Position:					
Governmental Activities	1,777,774	1,918,085	1,536,098	(404,778)	(231,425)
Business-Type Activities	2,846,124	2,802,492	1,442,330	2,043,371	59,917
Total Change in Net Position	<u>\$ 4,623,898</u>	<u>\$ 4,720,577</u>	<u>\$ 2,978,428</u>	<u>\$ 1,638,593</u>	<u>\$ (171,508)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Nonspendable					
Restricted for Stabilization by State Statute	\$ 1,049,970	\$ 819,243	\$ 848,265	\$ 737,031	\$ 756,414
Restricted for Public Safety	81,371	86,815	115,110	70,951	78,158
Restricted for Streets	319,781	56,300	202,518	277,209	171,898
Restricted for economic development					
Assigned - Subsequent Year's Expenditures	784,600	916,940	867,860	1,009,920	929,690
Unassigned	8,818,706	9,225,343	8,177,929	7,812,850	7,169,323
Total General Fund	<u>\$ 11,054,428</u>	<u>\$ 11,104,641</u>	<u>\$ 10,211,682</u>	<u>\$ 9,907,961</u>	<u>\$ 9,105,483</u>
All Non-Major Funds					
Restricted for Stabilization by State Statute	-	-	-	-	-
Restricted for Economic Development	-	59,272	358,502	230,703	83,380
Restricted for Public Safety	-	-	-	-	-
Restricted for Recreation	-	-	-	-	-
Restricted for Transportation	273,319	269,116	207,018	2,022,107	1,766,967
Assigned - Subsequent Year's Expenditures	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Non-Major Funds	<u>\$ 273,319</u>	<u>\$ 328,388</u>	<u>\$ 565,520</u>	<u>\$ 2,252,810</u>	<u>\$ 1,850,347</u>
Total All Governmental Funds	<u>\$ 11,327,747</u>	<u>\$ 11,433,029</u>	<u>\$ 10,777,202</u>	<u>\$ 12,160,771</u>	<u>\$ 10,955,830</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2011	2012	2013	2014	2015
General Fund					
Nonspendable					\$ 8,805
Restricted for Stabilization by State Statute	\$ 922,385	\$ 1,288,518	\$ 805,835	\$ 925,946	1,058,260
Restricted for Public Safety	106,326	114,910	97,471	131,935	115,235
Restricted for Streets	221,653	262,335	289,674	-	-
Restricted for economic development				7,906	19,577
Assigned - Subsequent Year's Expenditures	929,710	881,240	1,318,210	1,122,300	701,672
Unassigned	7,022,022	5,822,117	6,410,105	6,207,146	6,200,178
Total General Fund	<u>\$ 9,202,096</u>	<u>\$ 8,369,120</u>	<u>\$ 8,921,295</u>	<u>\$ 8,395,233</u>	<u>\$ 8,103,727</u>
All Non-Major Funds					
Restricted for Stabilization by State Statute	1,000	\$ 253,900	\$ 11,254	\$ 69,407	\$ 25,550
Restricted for Economic Development	57,964	66,650	42,765	55,106	73,782
Restricted for Public Safety	-	-	3,191,465	189,615	52,786
Restricted for Recreation	3,005	-	-		
Restricted for Transportation	1,735,232	971,460	1,339,191	958,013	956,917
Assigned - Subsequent Year's Expenditures	57,900	57,000	84,840	46,000	7,531
Unassigned	(95,431)	(278,172)	-		
Total All Non-Major Funds	<u>\$ 1,759,670</u>	<u>\$ 1,070,838</u>	<u>\$ 4,669,515</u>	<u>\$ 1,318,141</u>	<u>\$ 1,116,566</u>
Total All Governmental Funds	<u>\$ 10,961,766</u>	<u>\$ 9,439,958</u>	<u>\$ 13,590,810</u>	<u>\$ 9,713,374</u>	<u>\$ 9,220,293</u>

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

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues					
Property Tax	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539
Other Taxes	79,707	76,478	80,352	88,077	158,441
Unrestricted Intergovernmental	3,463,683	3,738,657	3,743,658	3,579,951	3,384,944
Restricted Intergovernmental	1,320,271	658,093	699,273	744,405	1,113,434
Permits and Fees	169,562	143,643	35,510	18,252	21,647
Sales and Services	170,312	200,012	217,213	237,772	241,313
Investment Earnings	620,041	1,080,909	881,739	259,049	43,068
Miscellaneous	389,192	66,171	141,330	290,705	156,538
Total Revenues	<u>\$ 11,709,130</u>	<u>\$ 11,767,279</u>	<u>\$ 12,490,745</u>	<u>\$ 11,892,771</u>	<u>\$ 12,028,924</u>
Expenditures					
Current:					
General Government	1,659,478	1,695,560	2,048,160	1,946,835	2,103,217
Public Safety	4,676,287	5,449,495	5,667,741	5,919,723	6,472,416
Transportation	2,277,258	1,800,734	2,059,788	1,830,773	2,001,261
Environmental Protection	567,525	469,048	1,083,802	649,406	527,228
Economic & Physical Development	300,194	365,940	901,266	390,748	453,538
Cultural and Recreation	133,574	161,687	259,368	903,431	588,305
<i>Capital Outlay – See Capital Asset Expenditures on Next Page</i>					
Debt Service:					
Principal	475,296	323,333	323,333	323,333	373,333
Interest and Fees	218,542	214,108	189,739	207,856	232,928
Total Expenditures	<u>\$ 10,308,154</u>	<u>\$ 10,479,905</u>	<u>\$ 12,533,197</u>	<u>\$ 12,172,105</u>	<u>\$ 12,752,226</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,400,976</u>	<u>\$ 1,287,374</u>	<u>\$ (42,452)</u>	<u>\$ (279,334)</u>	<u>\$ (723,302)</u>

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2011	2012	2013	2014	2015
Revenues					
Property Tax	\$ 6,937,950	\$ 7,020,873	\$ 7,043,951	\$ 7,319,539	\$ 7,666,438
Other Taxes	487,152	546,179	531,600	402,294	402,398
Unrestricted Intergovernmental	3,438,784	3,534,087	3,703,487	3,762,137	4,258,292
Restricted Intergovernmental	975,848	1,393,807	746,012	595,052	609,063
Permits and Fees	25,573	21,893	49,630	48,088	49,602
Sales and Services	251,706	269,352	245,360	414,073	480,028
Investment Earnings	24,430	15,046	11,966	16,335	53,094
Miscellaneous	211,301	135,760	141,763	272,522	188,331
Total Revenues	<u>\$ 12,352,744</u>	<u>\$ 12,936,997</u>	<u>\$ 12,473,769</u>	<u>\$ 12,830,040</u>	<u>\$ 13,707,246</u>
Expenditures					
Current:					
General Government	2,052,333	2,153,295	2,374,576	2,228,056	3,184,950
Public Safety	6,018,523	6,322,638	6,999,222	9,355,420	6,819,585
Transportation	2,233,485	3,752,372	2,994,120	2,602,778	2,309,503
Environmental Protection	557,500	495,238	463,889	547,571	9,107
Economic & Physical Development	262,751	405,416	310,160	453,223	431,801
Cultural and Recreation	200,772	237,833	200,928	215,403	715,098
<i>Capital Outlay -- See Capital Asset Expenditures on Next Page</i>					
Debt Service:					
Principal	373,333	423,333	423,333	723,333	723,333
Interest and Fees	219,650	200,890	185,869	352,972	324,613
Total Expenditures	<u>\$ 11,918,347</u>	<u>\$ 13,991,015</u>	<u>\$ 13,952,097</u>	<u>\$ 16,478,756</u>	<u>\$ 14,517,990</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 434,397</u>	<u>\$ (1,054,018)</u>	<u>\$ (1,478,328)</u>	<u>\$ (3,648,716)</u>	<u>\$ (810,744)</u>

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Other Financing Sources (Uses):					
Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ 2,100,000	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-
Sale of Capital Asset	-	-	-	-	-
Insurance Recovery	-	-	-	-	-
Operating Transfers From (To) Other Funds:					
Enterprise Fund:					
Environmental Services Fund	(613,380)	(412,660)	(540,790)	(292,058)	(387,600)
Water and Sewer Fund	(100,880)	(875,880)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	-	-	-	-
Health & Welfare Fund	-	-	-	-	-
Capital Projects Fund - City Hall Renovation	243,651	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	542,630	1,527,160	865,000	552,760	870,899
Capital Reserve Fund - General Fund Contribution	-	(743,516)	(870,323)	-	-
Capital Projects Fund - Wash Creek Project	-	-	-	(45,084)	-
Capital Projects Fund - Skate Park Project	-	-	(175,000)	(114,297)	-
Capital Projects Fund - Fire Station	-	-	-	-	-
Greenways Phase II Grant Fund	-	-	(202,000)	-	-
Downtown Tax District - General Fund Reimbursement	-	-	-	75,000	100,000
Downtown Tax District	-	-	-	-	-
Downtown Tax District - Main Street Project	-	-	(494,805)	(110,677)	-
Seventh Avenue Tax District - General Fund Contribution	(5,300)	-	-	(64,500)	(52,800)
Rails-to-Trails Project Grant Fund	-	-	-	-	-
Britton Creek Stormwater Master Plan Project	-	-	-	-	-
Fund Balance Appropriated	(542,558)	(686,800)	877,128	(293,201)	(918,099)
	<u>(475,837)</u>	<u>(1,191,696)</u>	<u>(641,670)</u>	<u>1,707,063</u>	<u>(488,480)</u>
Net Change in Fund Balances	<u>925,139</u>	<u>95,678</u>	<u>(684,122)</u>	<u>1,427,729</u>	<u>(1,211,782)</u>
Capital Asset Expenditures	<u>\$ 1,264,009</u>	<u>\$ 1,361,822</u>	<u>\$ 2,534,977</u>	<u>\$ 1,563,982</u>	<u>\$ 2,021,203</u>
Debt Service as a Percentage of Noncapital Expenditures (1)	<u>7.7%</u>	<u>5.9%</u>	<u>5.1%</u>	<u>5.0%</u>	<u>5.6%</u>

(1) Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net assets and capitalized assets within the functional expenditure categories. This percentage equals total debt service divided by the noncapital expenditures. Debt service expenditures were included as part of noncapitalized expenditures.

GASB #44 Statistical Schedules Template - City13

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Other Financing Sources (Uses):					
Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	6,000,000	-	242,500
Sale of Capital Asset	-	-	-	-	18,090
Insurance Recovery	-	-	-	-	57,073
Operating Transfers From (To) Other Funds:					
Enterprise Fund:					
Environmental Services Fund	(249,790)	(285,270)	(269,940)	(127,840)	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(100,880)	-
Water and Sewer Fund	-	-	-	-	-
Health & Welfare Fund	-	(81,640)	-	-	-
Capital Projects Fund - City Hall Renovation	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	313,360	303,840	293,970	-	-
Capital Reserve Fund - General Fund Contribution	(245,472)	(1,100,266)	-	-	-
Capital Projects Fund - Wash Creek Project	-	-	-	-	-
Capital Projects Fund - Skate Park Project	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	(27,600)	-	-
Greenways Phase II Grant Fund	-	-	-	-	-
Downtown Tax District - General Fund Reimbursement	100,000	100,000	100,000	100,000	100,000
Downtown Tax District	(27,350)	-	-	-	(100,000)
Downtown Tax District - Main Street Project	(66,412)	-	(45,000)	189,046	-
Seventh Avenue Tax District - General Fund Contribution	(24,690)	(23,390)	(38,080)	(37,470)	-
Rails-to-Trails Project Grant Fund	-	(16,785)	-	-	-
Britton Creek Stormwater Master Plan Project	(5,556)	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-
	<u>(306,790)</u>	<u>(1,204,391)</u>	<u>5,912,470</u>	<u>22,856</u>	<u>317,663</u>
Net Change in Fund Balances	<u>127,607</u>	<u>(2,258,409)</u>	<u>4,434,142</u>	<u>(3,625,860)</u>	<u>(493,081)</u>
Capital Asset Expenditures	<u>\$ 847,347</u>	<u>\$ 2,348,420</u>	<u>\$ 2,815,434</u>	<u>\$ 4,064,359</u>	<u>\$ 1,333,272</u>
Debt Service as a Percentage of Noncapital Expenditures (1)	<u>5.4%</u>	<u>5.4%</u>	<u>5.5%</u>	<u>8.7%</u>	<u>7.9%</u>

(1) Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net assets and capitalized assets within the functional expenditure categories. This percentage equals total debt service divided by the noncapital expenditures. Debt service expenditures were included as part of noncapitalized expenditures.

GASB #44 Statistical Schedules Template - City13

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property	
	Commercial Property	Residential Property	Motor Vehicles	Other
2006	202,055,495	861,531,281	75,950,930	102,949,041
2007	434,373,653	670,997,832	93,097,907	115,982,605
2008	741,201,027	740,981,778	93,606,259	131,903,467
2009	771,675,117	754,677,553	84,719,211	123,978,975
2010	816,126,664	727,265,443	75,788,947	128,456,653
2011	825,118,067	735,001,163	77,596,316	132,738,061
2012	757,796,620	677,032,408	76,152,188	139,388,978
2013	750,214,548	681,531,593	79,490,976	133,819,795
2014	867,439,562	601,013,269	133,799,024	111,836,701
2015	1,267,614,537	572,536,900	121,051,969	106,946,492

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2011. Tax rates are per \$100 of assessed value.

CITY OF HENDERSONVILLE, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
2006	7,050,933	\$ 1,235,435,814	\$ 0.83	1,565,824,859	78.9%
2007	6,303,625	1,308,148,372	0.83	1,730,354,989	75.6%
2008	8,099,431	1,699,593,100	0.71	1,713,299,496	99.2%
2009	10,925,656	1,724,125,200	0.71	1,734,539,856	99.4%
2010	12,559,607	1,735,078,100	0.71	1,737,705,121	99.8%
2011	14,801,507	1,755,652,100	0.71	1,757,636,949	99.9%
2012	13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%
2013	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%
2014	13,190,519	1,700,898,037	0.81	1,700,916,367	100.0%
2015	369,302,566	1,698,847,332	0.84	1,646,500,000	103.2%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2011. Tax rates are per \$100 of assessed value.

CITY OF HENDERSONVILLE, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

UNAUDITED

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

Source: Henderson County Tax Assessors Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City Direct Rates:					
General Fund Rate	\$ 0.380	\$ 0.410	\$ 0.410	\$ 0.410	\$ 0.440
Downtown Tax District	\$ 0.250	\$ 0.280	\$ 0.280	\$ 0.280	\$ 0.280
Seventh Avenue District	\$ 0.080	\$ 0.120	\$ 0.120	\$ 0.120	\$ 0.120
Total Direct Rate	\$ 0.710	\$ 0.810	\$ 0.810	\$ 0.810	\$ 0.840
County Rates:					
Henderson County	0.462	0.5136	0.5136	0.5136	0.5136
Town of Fletcher	0.320	0.3250	0.3250	0.3250	0.3250
Town of Laurel Park	0.310	0.3600	0.3600	0.0360	0.3900
Town of Saluda	0.515	0.6250	0.6050	0.6050	0.6050
Town of Mills River	0.075	0.0874	0.0974	0.0974	0.0974
Village of Flat Rock	0.075	0.0840	0.0840	0.0840	0.0840
Fire (14) District Rates:					
From Lowest	0.060	0.0650	0.0650	0.0650	0.0700
To Highest	0.115	0.1250	0.1250	0.1250	0.1250
Special Purpose District Rates:					
Downtown Tax District	0.250	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.080	0.1200	0.1200	0.1200	0.1200

Source: Henderson County Tax Assessors Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2015

UNAUDITED

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Triangle Real Estate, Inc.	\$ 33,428,900	1	1.97%	\$ 9,489,100	10	0.77%
Ingles Markets, Inc.	33,069,931	2	1.95%	21,794,528	1	1.76%
Wal-Mart, Inc.	18,069,700	3	1.06%	17,978,970	2	1.46%
Highland Investors, LLC	16,961,752	4	1.00%	12,877,400	3	1.04%
Boyd L. Hyder	16,286,300	5	0.96%	9,527,456	9	0.77%
First Citizens Bank	12,719,997	6	0.75%	9,916,573	7	0.80%
Lowes Home Centers	11,616,491	7	0.68%	11,798,013	4	0.96%
Henderson Crossing Shopping Center	11,588,400	8	0.68%	-		0.00%
Home Depot	10,922,540	9	0.64%	11,583,425	5	0.94%
Lake Point Landing	10,329,200	10	0.61%	-		0.00%
Blue Ridge Mall, LTD	9,532,088		0.56%	9,861,200	8	0.80%
Bell South	7,155,666		0.42%	9,933,907	6	0.80%
Totals	<u>\$ 191,680,965</u>		<u>11.28%</u>	<u>\$ 124,760,572</u>		<u>10.10%</u>

Source: Henderson County Tax Assessor's Office.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
				Amount	Percentage of Levy
2006	5,153,119	161,133	5,314,252	5,198,489	97.82%
2007	5,420,260	209,399	5,629,659	5,503,740	97.76%
2008	5,952,337	490,571	6,442,908	6,314,694	98.01%
2009	6,071,297	488,524	6,559,821	6,335,116	96.57%
2010	6,181,286	415,320	6,596,718	6,405,344	97.10%
2011	6,252,523	428,397	6,680,920	6,471,376	96.86%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%

Source: City Tax Collector

(1) Includes Motor Vehicle Valuation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy
2006	96,535	5,295,024	99.64%
2007	103,894	5,607,634	99.61%
2008	103,990	6,418,684	99.62%
2009	207,856	6,542,972	99.74%
2010	180,849	6,586,193	99.84%
2011	195,190	6,666,566	99.79%
2012	168,441	6,695,088	99.68%
2013	122,129	6,675,674	99.74%
2014	40,864	6,370,050	99.22%
2015	75,210	6,863,544	98.95%

Source: City Tax Collector

(1) Includes Motor Vehicle Valuation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable
	2006	1,080,000	-	2,916,667	1,355,000	-
2007	990,000	-	2,683,333	1,070,000	-	11,120,362
2008	900,000	-	2,450,000	790,000	-	19,791,377
2009	2,910,000	-	2,216,667	520,000	-	18,154,326
2010	2,770,000	-	1,983,334	255,000	-	16,505,815
2011	2,630,000	-	1,750,000	-	-	14,822,447
2012	2,440,000	-	1,516,667	-	-	25,289,495
2013	2,250,000	-	7,283,333	-	-	23,503,653
2014	2,060,000	-	6,750,000	-	-	20,902,442
2015	1,870,000	-	6,459,167	-	-	27,283,746

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 OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Total Primary Government	Percentage of Personal Income	Per Capita
2006	17,644,973	520.1%	1,442
2007	15,863,695	431.8%	1,269
2008	23,931,377	625.6%	1,877
2009	23,800,993	619.5%	1,831
2010	21,514,149	571.2%	1,638
2011	19,202,447	486.6%	1,456
2012	29,246,162	713.6%	2,203
2013	33,036,986	*	2,485
2014	29,712,442	*	2,205
2015	35,612,913	*	2,079

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
2006	1,080,000	-	1,080,000	0.07%	88
2007	990,000	-	990,000	0.06%	79
2008	900,000	-	900,000	0.05%	71
2009	2,910,000	-	2,910,000	0.17%	224
2010	2,770,000	-	2,770,000	0.16%	211
2011	2,630,000	-	2,630,000	0.15%	200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139

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, 2015

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Henderson County	\$ 86,482,304	12.37%	\$ 10,697,861
Subtotal, Overlapping Debt			<u>10,697,861</u>
City of Hendersonville Direct			<u>8,329,167</u>
Total Direct and Overlapping Debt			<u><u>\$ 19,027,028</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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 99,398,940	\$ 105,156,160	\$ 135,967,448	\$ 137,930,016	\$ 139,016,410
Total Net Debt Applicable to Debt Limit	18,003,776	15,518,820	23,741,378	23,293,992	21,412,148
Legal Debt Margin	<u>\$ 81,395,164</u>	<u>\$ 89,637,340</u>	<u>\$ 112,226,070</u>	<u>\$ 114,636,024</u>	<u>\$ 117,604,262</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>18.1%</u>	<u>14.8%</u>	<u>17.5%</u>	<u>16.9%</u>	<u>15.4%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 140,452,168	\$ 130,930,200	\$ 130,499,448	\$ 136,071,843	\$ 135,907,787
Total Net Debt Applicable to Debt Limit	19,012,447	29,246,161	33,036,986	29,712,442	35,612,913
Legal Debt Margin	<u>\$ 121,439,721</u>	<u>\$ 101,684,039</u>	<u>\$ 97,462,462</u>	<u>\$ 106,359,401</u>	<u>\$ 100,294,874</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>13.5%</u>	<u>22.3%</u>	<u>25.3%</u>	<u>21.8%</u>	<u>26.2%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,698,847,332
Debt Limit (8% of Total Assessed Value)	135,907,787
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	33,742,913
Total Bonded Debt	1,870,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>35,612,913</u>
Legal Debt Margin	<u>\$ 100,294,874</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<u>City Population</u>	<u>County Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>		
						<u>County</u>	<u>State</u>	<u>U.S.</u>
2006	12,237	100,056	3,392,869	33,910	12,578	3.4%	4.6%	4.8%
2007	12,499	102,270	3,673,726	35,922	13,134	3.9%	4.9%	4.5%
2008	12,747	104,289	3,825,564	36,682	13,322	4.7%	6.2%	5.7%
2009	12,997	105,813	3,841,838	36,308	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,766,289	35,215	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,921,941	36,461	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	4,098,466	37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,540	*	44,815	13,491	4.9%	6.5%	5.9%
2015	13,663	111,149	*	*	13,495	4.6%	5.0%	5.7%

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 (Sheila Zachery) 697-4733
- (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	2015			2006		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,511	1	12.35%	1,683	1	13.75%
Park Ridge Hospital	1,248	2	10.20%	766	3	6.26%
Pardee Hospital	1,233	3	10.08%	1,360	2	11.11%
Ingles	1,183	4	9.67%	653	8	5.34%
Henderson County Government	781	5	6.38%	650	9	5.31%
Continental Automotive Systems	604	6	4.94%	522	10	4.27%
Wilsonart International	580	7	4.74%	740	4	6.05%
General Electric Lighting	530	8	4.33%	725	5	5.92%
Meritor	458	9	3.74%	700	6	5.72%
Blue Ridge Community College	440	10	3.60%	not available		
Wal-Mart	381	11	3.11%	675	7	5.52%
Totals	<u>8,949</u>		<u>73.13%</u>	<u>8,474</u>		<u>69.25%</u>

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2006	2007	2008	2009	2010
Governmental Activities					
General Government:					
Administration	3	3	3	3	3
Finance	12	12	12	12	12
Support Services	10	10	10	11	11
Public Safety:					
Police	45	50	50	50	50
Fire	17	17	17	20	20
Public Works:					
Fleet Maintenance	6	6	6	6	6
Building Maintenance	3	3	3	3	3
Administration	3	3	3	3	3
Streets & Highways	7	7	9	9	9
Traffic Engineer	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8
Subtotal	29	29	31	31	31
Business-Type Activities					
Water and Sewer Fund	61	62	62	63	63
Environmental Services Fund	10	10	10	10	10
Total	187	193	195	200	200

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

<u>Function</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities					
General Government:					
Administration	3	3	3	3	5
Finance	12	12	12	12	13
Support Services	11	12	14	14	15
Public Safety:					
Police	50	50	50	51	51
Fire	20	27	27	27	27
Public Works:					
Fleet Maintenance	6	6	6	6	6
Building Maintenance	3	3	3	3	3
Administration	3	3	3	3	3
Streets & Highways	9	9	9	9	7
Traffic Engineer	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8
Subtotal	31	31	31	31	29
Business-Type Activities					
Water and Sewer Fund	63	64	65	65	65
Environmental Services Fund	10	12	14	14	14
Total	<u>200</u>	<u>211</u>	<u>216</u>	<u>217</u>	<u>218</u>

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

UNAUDITED

Function/Program	2006	2007	2008	2009	2010
General Government					
Building Permits Issued:					
Residential	235	163	92	106	103
Commercial	99	80	50	76	226
Public Safety - Police					
Physical Arrests	2,177	2,736	2,735	2,175	2,120
Traffic Violations	2,685	3,631	3,624	3,815	2,997
Parking Violations	2,313	2,353	2,358	2,317	1,865
Public Safety - Fire					
Number of Fire Calls Answered	1,617	1,703	1,899	1,871	1,842
Inspections Conducted	620	548	534	1,066	1,997
Water					
Number of Service Connections	23,650	24,300	25,301	25,471	25,645
Average Daily Production in Gallons	6,889,471	6,872,304	7,246,825	6,915,665	7,476,633
Sewer					
Number of Service Connections	7,700	8,000	8,051	8,118	8,173
Average Daily Treatment in Gallons	2,631,710	2,789,438	2,399,544	2,426,373	2,937,317
Solid Waste					
Refuse Collected (Tons per Year)	4,605	4,501	4,324	4,152	3,885
Recycling Collections (Tons per Year)	708	1,354	1,021	1,083	2,195
Scrap Metal (Tons per Year)	-	-	-	-	17

Sources: Various City of Hendersonville Deaprtments

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

UNAUDITED

Function/Program	2011	2012	2013	2014	2015
General Government					
Building Permits Issued:					
Residential	95	125	305	307	119
Commercial	252	147	112	90	87
Public Safety - Police					
Physical Arrests	1,667	1,539	1,646	1,544	1,602
Traffic Violations	2,720	2,482	2,631	2,664	2,250
Parking Violations	1,980	1,806	2,762	2,317	2,216
Public Safety - Fire					
Number of Fire Calls Answered	1,779	2,111	3,270	3,401	4,121
Inspections Conducted	883	502	478	370	583
Water					
Number of Service Connections	25,618	25,552	25,514	26,446	26,723
Average Daily Production in Gallons	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307
Sewer					
Number of Service Connections	8,146	8,274	8,503	8,751	9,035
Average Daily Treatment in Gallons	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441
Solid Waste					
Refuse Collected (Tons per Year)	3,550	3,325	3,293	3,353	3,519
Recycling Collections (Tons per Year)	1,040	645	744	848	928
Scrap Metal (Tons per Year)	13	1	3	3	6

Sources: Various City of Hendersonville Deaprtments

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2006	2007	2008	2009	2010
Hendersonville					
Public Facilities/Buildings	3	3	3	3	3
Public Safety - Police					
Number of Police Stations	1	1	1	1	1
Number of Patrol Units	30	34	34	38	38
Public Safety - Fire					
Number of Fire Stations	1	1	1	1	1
Number of Fire Trucks	6	6	6	6	6
Public Service					
Streets (in Miles)	62.95	65.04	65.03	65.04	65.36
Street Lights (Leased)	1,391	1,398	1,398	1,428	1,433
Street Lights (Owned)	189	189	189	189	189
Parks and Recreation					
Parks Acreage	99	99	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8
Parks	7	7	12	12	12
Shuffle Board Courts	27	27	27	27	27
Swimming Pools	1	1	1	1	1
Community Development					
Community Centers	3	3	3	3	3
Water					
Water Mains (Miles)	569	571	575	578	581
Fire Hydrants	2,135	2,140	2,233	2,359	2,446
Sewer					
Sanitary Sewers (Miles)	154	154	160	165	167
Storm Sewers (Miles)	27	27	27	27	27
Solid Waste					
Collection/Refuse Trucks	3	3	3	3	3

Sources: Various City of Hendersonville departments.

Note: A New Fire Station was built in 2000 and Police Department moved into City Hall in 2005.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2011	2012	2013	2014	2015
Hendersonville					
Public Facilities/Buildings	3	4	5	5	5
Public Safety - Police					
Number of Police Stations	1	1	1	1	1
Number of Patrol Units	38	38	38	39	39
Public Safety - Fire					
Number of Fire Stations	1	1	1	2	2
Number of Fire Trucks	6	6	6	6	6
Public Service					
Streets (in Miles)	65.36	65.67	68.20	68.20	68.20
Street Lights (Leased)	1,428	1,428	1,479	1,501	1,515
Street Lights (Owned)	189	189	189	189	189
Parks and Recreation					
Parks Acreage	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8
Parks	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27
Swimming Pools	1	1	1	1	1
Community Development					
Community Centers	3	3	3	3	3
Water					
Water Mains (Miles)	640	620	634	637	640
Fire Hydrants	2,539	2,552	2,585	2,598	2,626
Sewer					
Sanitary Sewers (Miles)	175	176	177	178	178
Storm Sewers (Miles)	30	30	30	30	30
Solid Waste					
Collection/Refuse Trucks	3	3	3	4	4

Sources: Various City of Hendersonville departments.

Note: A New Fire Station was built in 2000 and Police Department moved into City Hall in 2005.



**COMPLIANCE
SECTION**

**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 Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated October 9, 2015. The financial statements of the City of Hendersonville Board of Alcoholic Control were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Carl A. Anderson, Jr.

Hendersonville, North Carolina
October 9, 2015

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hendersonville, North Carolina's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hendersonville's major federal programs for the year ended June 30, 2015. The City of Hendersonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hendersonville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hendersonville's compliance.

Opinion on Each Major State Program

In our opinion, the 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 its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control 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 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 charge with governance.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carland & Anderson, Inc.

Hendersonville, North Carolina
October 9, 2015

**Report On Compliance For Each Major State Program and Report on Internal
Control Over Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Hendersonville, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015. The City of Hendersonville's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hendersonville's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the City's major state program. However, our audit does not provide a legal determination of the City of Hendersonville's compliance.

Opinion on Each Major State Program

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Caland & Addison, Inc.

Hendersonville, North Carolina
October 9, 2015

**CITY OF HENDERSONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. Summary of Auditor's Results

- A. An unmodified opinion was issued on the financial statements of the City of Hendersonville.
- B. The audit of the basic financial statements disclosed no material weaknesses over financial reporting or significant deficiencies in internal control.
- C. The audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. The audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses and no significant deficiency in internal control over major programs.
- E. An unmodified opinion was issued on the City of Hendersonville compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unmodified opinion was issued on the City of Hendersonville compliance with the types of compliance requirements applicable to its major state programs.
- G. Our audit disclosed no audit findings which relate to federal and state awards that are required to be reported in accordance with Section 510 (a) of Circular A-133.
- H. Major federal programs for the City of Hendersonville for the fiscal year ended June 30, 2015 are:

<u>Name of Program</u>	<u>CFDA</u>
Capitalization Grants for Clean Water State Revolving Funds Jackson Park Sewer Project	66.458
Capitalization Grants for Clean Water State Revolving Funds Shepherd Creek	66.458
Capitalization Grants for Clean Water State Revolving Funds Wolfpen	66.458

**CITY OF HENDERSONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

- I. Major State programs for the City of Hendersonville for the fiscal year ended June 30, 2015 are:

Name of Program

Capitalization Grants for Clean Water State
Powell Bill Program

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

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

The City of Hendersonville had no findings or questioned costs related to the audit of the Basic Financial Statements for the fiscal year ended June 30, 2015.

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

The City of Hendersonville had no findings had no findings or questioned costs related to the audit of federal and State awards for the fiscal year ended June 30, 2015.

**CITY OF HENDERSONVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

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

**CITY OF HENDERSONVILLE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit J-1

<u>Grantor/Passthrough</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Passthrough</u> <u>Grantor's No.</u>	<u>Federal/ Direct</u> <u>and Passthrough</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Dept of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii	14.228		\$ 273,840	
<u>U. S. Department of Transportation</u>				
Passed-through N. C. Department of Transportation:				
Highway Planning and Construction	20.205		37,946	\$ 9,486
Governor's Highway Safety Program	20.600		6,351	
<u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department of Environment and Natural Resources				
EPS Section 319(h) Grant Nonpoint Source Implementation Grant	66.460		7,000	
Noncash Programs:				
<u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department of Environment and Natural Resources				
Capitalization Grants for Clean Water State Revolving Funds Jackson Park Sewer Project (note 2)	66.458		1,993,935	498,484
Capitalization Grants for Clean Water State Revolving Funds Shepherd Creek (note 2)	66.458		1,266,294	316,573
Capitalization Grants for Clean Water State Revolving Funds Wolfpen (note 2)	66.458		2,142,146	535,536
Total assistance - Federal programs			<u>\$ 5,727,512</u>	<u>\$ 1,360,079</u>
State Grants:				
Cash Programs:				
<u>N. C. Department of Transportation:</u>				
Powell Bill Program		32570		\$ 385,105
Total assistance - State programs				<u>\$ 385,105</u>
Total assistance			<u>\$ 5,727,512</u>	<u>\$ 1,745,184</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit J-1

Notes to the Schedule of Expenditures of Federal and State Awards

1. The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Hendersonville and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Loans Outstanding

The City of Hendersonville had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal and state expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds-Jackson Park Sewer Project	66.458	\$ 4,340,600
Capitalization Grants for State Revolving Funds-Shepherd Creek	66.458	\$ 1,815,000
Capitalization Grants for State Revolving Funds-WolfPen	66.458	\$ 2,867,595