

# City of Hendersonville

## North Carolina



### **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

### **FOR THE YEAR ENDED JUNE 30, 2023**

**Prepared by:**  
**Finance Department**

**Submitted by:**  
**John P. Buchanan, CPA, CLGFO**  
**Finance Director**

## INTRODUCTORY SECTION

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# CITY OF HENDERSONVILLE, NORTH CAROLINA

## ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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CITY COUNCIL:  
BARBARA G. VOLK  
Mayor  
LYNDESEY SIMPSON  
Mayor Pro Tem  
DR. JENNIFER HENSLEY  
DEBBIE O'NEAL-ROUNDTREE  
JERRY A. SMITH JR., J.D.



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

November 6, 2023

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, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2023.

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 Mauldin & Jenkins, 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, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2023 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

## **Profile of the Government**

The City of Hendersonville was chartered in 1847 and is located in Henderson County in western North Carolina. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2023 population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 16,443.

The City encompasses an area of 7.4 square miles and is located on a mountain plateau 2,200 feet above sea level. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The City is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

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

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

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

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

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hendersonville operates. The City and county as whole continue to see interest from manufacturing and industrial companies in moving operations to the area or expanding existing facilities. The area continues to see increased activity in housing developments. The continued business and residential growth provide a positive outlook for both ad valorem and sales tax revenues.

## ***Local Economy***

The City continues to have a strong and growing economy with a solid residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, agriculture, healthcare, summer camps, community college system, and industries located within the County. Henderson County has a strong and diversified industrial employment environment, including headquarters and office locations, production and assembly operations as well as logistics and distribution facilities.

It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. In the City, a new 191 unit apartment complex completed construction on the first phase and was nearing completion of the second phase; a new 276 unit apartment complex was nearing completion; construction finished on 140 townhomes; construction started on 186 single family homes in fiscal; construction was nearing completion on a 654,000 square foot Class A industrial and warehouse development in fiscal year 2023.



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

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

Henderson County has a labor force of approximately 56,936. Unemployment in Henderson County was 3.0 % in June 2023, down 0.6% from the year prior. North Carolina is a right-to-work state, and is the number two least unionized state in the nation.

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

The City of Hendersonville prepares a ten-year Capital Improvement Plan (CIP) to function as a planning tool for capital improvements and major capital equipment purchases. The CIP represents a multi-year forecast of the capital needs but only the current year schedule is adopted annually by the City Council and becomes part of the operating budget. The CIP not only identifies capital projects but also the financing required for the projects and their impact on the operating budget. Capital projects differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years. Future forecast in the CIP 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.

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

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

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

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

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

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

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

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

Sound infrastructure is one of the top priorities of the City. A major goal for the City of Hendersonville is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as City Council again committed one cent of the property tax to be allocated to

the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance. The Clear Creek Greenway Project has started and the City continues to explore connecting to the new Ecusta Trail to the City. The Ecusta Trail is a 19.4 mile greenway along an unused rail corridor that runs from Hendersonville to Brevard.

During the fiscal year the work was continued on streetscape improvements of the Historic Seventh Avenue District. This project is part of the City's initiative to advance growth that will provide a connection between the Main Street and Seventh Avenue districts.

The Mud Creek Dump project continued during fiscal year 2023 in order to conduct an environmental assessment and remediation of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The City will receive reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City completed construction on a parking deck in fiscal year 2023 that is located near the downtown district. The new parking deck adds 253 parking spaces. The project was funded through limited obligation bonds and will be repaid with the revenues earned from on-street, parking lot, and parking deck fees.

The City began construction a new fire station which will replace an existing station near downtown. The new station will nearly double in size at approximately 19,750 square feet and will provide adequate living-quarters and administrative office space. The City will relocate the Laura E. Corn mini-golf facility that currently shares the property with the existing station.

Construction on the new mini-golf facility at Edwards Park began construction in 2023. Mini golf will be the primary feature of the new Edwards Park. In addition to the mini golf, a new concession stand, pavilion, and playground are being added. The City exchanged property with the Henderson County School Board to build the new mini-golf facility and park.

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

The City of Hendersonville provides high quality water services to approximately 78,000 people and wastewater services to approximately 21,000 while protecting natural resources and ensuring capacity for sustainable growth. The system also operates and maintains over 683 miles of water mains (ranging in size from 2-inches to 24-inches), 60 water pumping stations, 32 water storage tanks (ranging in size from 80,000-gallons to 5,000,000-gallons), over 200 miles of sewer mains (ranging in size from 3-inches to 42-inches) and 31 sewer pumping stations.

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2023 including the following:

**French Broad River Raw Water Intake** – Construction is approximately 50% complete. The City has determined that Mills River tends to be more drought sensitive than the larger French Broad River. The purpose of this project is to design, permit, and construct a new raw water intake and pump station along the French Broad River to increase the redundancy, resiliency, and reliability of source water for the Water Treatment Plant during drought conditions and other water supply needs, and eliminate water scarcity concerns currently experienced during drought conditions. This new intake will have an initial firm pumping capacity of 12 MGD with expansion to 21 MGD. The new pump station will discharge into the existing 30-inch raw water line which extends from the intake site to the Water Treatment Plant.

**Clear Creek Sewer Interceptor** - The Clear Creek Interceptor Replacement is nearly complete and consists of the replacement of approximately 3,300 linear feet of undersized 18-inch diameter gravity sewer pipe along Clear Creek with 30-inch diameter sewer pipe. The purpose of the project is to provide additional capacity alleviating sanitary sewer overflows (SSOs) and serving future growth upstream in the Edneyville area.

The Etowah Water System Improvement project is nearly complete. This project will include the installation of approximately 14,000-ft. of 12-inch ductile iron water main from the proposed booster pumping station to be located adjacent to Morgan Rd. in the Etowah area. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd. These improvements should allow the City to remove several hydro-pneumatic pump stations currently boosting water pressure at some of the higher elevations of the City's water system in the Etowah area.

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

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

Mud Creek Interceptor Project – This project is to replace approximately 10,620 feet of gravity sewer along Mud Creek. The project includes re-routing existing tributary mains to connect to the interceptor and installing cure-in-place pipe in the existing 24” clay sewer main to connect existing flows to minimize additional creek and railroad crossings. Streambank restoration will also be completed, stabilizing approximately 700 linear feet of one side of Mud Creek. This project is expected to be completed in mid-2023.

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

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

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

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

### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022. This was the 33rd 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 Mauldin & Jenkins, LLC and the staff of the Hendersonville Finance and City Administration Departments. Credit must also be given to the Mayor, City Council, City Manager and Assistant City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,



John Buchanan, CPA, CLGFO  
Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA  
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF  
YEAR ENDED JUNE 30, 2023**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Lyndsey Simpson

Jerry A. Smith, Jr.

Dr. Jennifer Hensley

Debbie O’Neal Roundtree

CITY STAFF

City Manager – John F. Connet

Assistant City Manager – Brian Pahle

City Clerk – Jill Murray

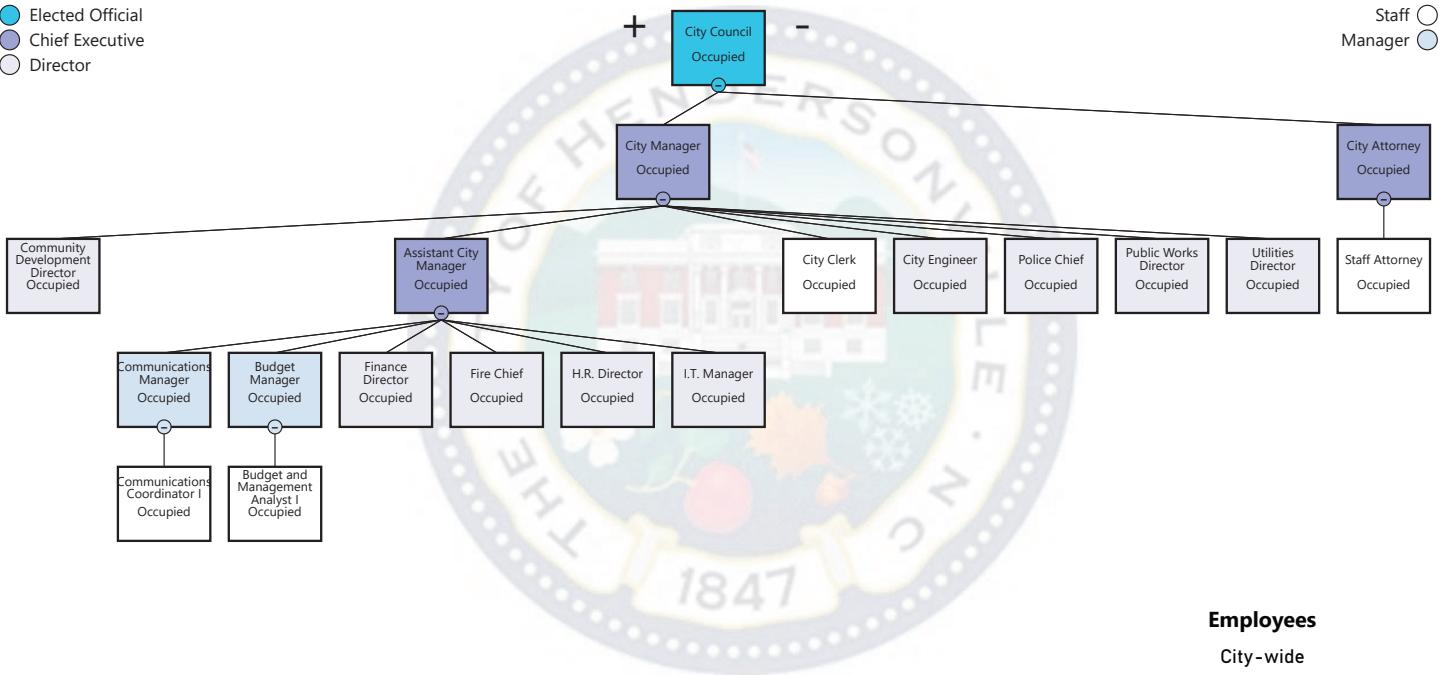
City Attorney – Angela S. Beeker

Finance Director – John P. Buchanan, CPA, CLGFO

# Administration

- Elected Official
- Chief Executive
- Director

- Staff
- Manager



## Employees

City-wide

328.0



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hendersonville  
North Carolina**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited 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** (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Hendersonville Alcoholic Beverage Control Board (the "ABC Board") which represents 100% of the assets, net position, and revenue of the discretely presented component unit as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the ABC Board is based solely on the report of the other auditors.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical reporting requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios – OPEB Plan, the Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - LEOSSA, the City's Proportionate Share of Net Pension Liability (Asset) - LGERS, and the Schedule of City Contributions - LGERS on pages 5 - 14, 87 - 88, 79 - 80, 81 - 82, 83 - 84 and 85 - 86, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of North Carolina Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
November 6, 2023

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2023**

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As management of the City of Hendersonville (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2023 (“2023”, “FY23” or “FY 2023”) compared to the year ended June 30, 2022 (“2022” , “FY22”or “FY 2022”). The intent of this management’s discussion and analysis (“MD&A”) is to look at the City’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the City’s discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding of the City’s overall financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$115,485,447 (total net position for the Primary Government).
- The City’s total net position for FY 2023 increased by \$6,958,935 over the prior year balance primarily due to donated assets, Coronavirus State and Local Fiscal Recovery Funds (CSLRF) and local grants.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$36,658,487, an increase of \$23,194,709 from the prior year. The increase is largely attributed to Coronavirus State and Local Fiscal Recovery Funds, issuance of debt, and local grant proceeds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$5,563,479 which is 22% of total General Fund expenditures and transfers out for the fiscal year.
- The City’s total debt, excluding compensated absences, pension, and other post-employment benefits, increased by \$42,385,971 in FY23. The increase included \$18,802,000 Installment Purchase Contract to fund the replacement of a fire station, park, mini-golf course, and fire apparatus. The City also issued \$8,480,000 in revenue bonds for the City’s water and sewer systems, and added \$11,316,533 in State Revolving Loan funds for the French Broad River Intake project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

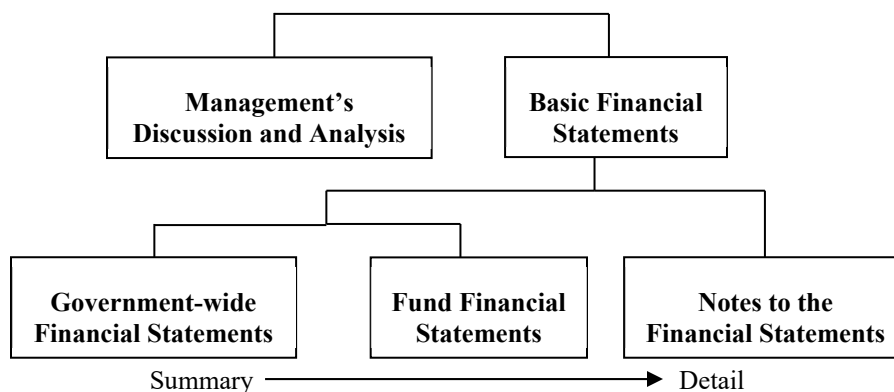
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

**Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**



# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

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

The next set of statements are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statement, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

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

#### Government-wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities program revenues and general revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, environmental service, and stormwater activities offered by the City. The final category is the component unit. Although legally separate from the City, the Hendersonville ABC Board ("ABC Board") is important to the City because the City exercises control over the ABC Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute 50 percent of its profits to the City.

#### Fund Financial Statements

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Fund Financial Statements (Continued)**

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

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses one fiduciary fund type which is a custodial fund. The fund is used to record the sewer and stormwater billing provided to other entities.

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City’s Net Position  
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and Other Assets	\$ 17,270,343	\$ 39,219,017	\$ 28,951,147	\$ 26,714,572	\$ 46,221,490	\$ 65,933,589
Capital Assets	40,738,112	45,353,897	107,845,249	135,003,875	148,583,361	180,357,772
Total Assets	58,008,455	84,572,914	136,796,396	136,796,396	194,804,851	246,291,361
Deferred Pension Charges	3,143,669	5,511,702	2,027,033	3,806,354	5,170,702	9,318,056
Deferred OPEB Charges	742,721	651,282	554,608	477,066	1,297,329	1,128,348
Total Deferred Outflows of Resources	3,886,390	6,162,984	2,581,641	4,283,420	6,468,031	10,446,404
Long-term Liabilities Outstanding	28,840,112	54,937,802	49,923,933	75,651,090	78,764,045	130,588,892
Other Liabilities	3,642,744	2,525,553	4,758,355	6,304,812	8,401,099	8,830,365
Total Liabilities	32,482,856	57,463,355	54,682,288	81,955,902	87,165,144	139,419,257
Deferred Pension Credits	2,715,622	379,697	1,964,646	75,812	4,680,268	455,509
Deferred OPEB Credits	91,981	392,688	68,683	287,645	160,664	680,333
Lease Receipts	-	-	740,294	697,219	740,294	697,219
Total Deferred Inflows of Resources	2,807,603	772,385	2,773,623	1,060,676	5,581,226	1,833,061
Net Position:						
Net Investment in Capital Assets	19,891,169	24,328,314	71,004,372	71,668,399	90,895,541	95,996,713
Restricted	6,802,743	7,783,564	-	-	6,802,743	7,783,564
Unrestricted	(89,526)	388,280	10,917,754	11,316,890	10,828,228	11,705,170
Total Net Position	\$ 26,604,386	\$ 32,500,158	\$ 81,922,126	\$ 82,985,289	\$ 108,526,512	\$ 115,485,447

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by \$115,485,447 as of June 30, 2023. The City’s net position increased by \$6,958,935 for the fiscal year ended June 30, 2023. The largest portion of net position of \$95,996,713 (83%) reflects the City’s investment in capital assets (e.g., land, buildings, infrastructure, machinery, equipment, and vehicles); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City’s net position of \$7,783,564 (7%) represents resources that are subject to external restrictions on how they may be used.

Several particular aspects of the City’s financial operations positively influenced the total unrestricted net position:

- The City received \$4,155,000 in Coronavirus State and Local Fiscal Recovery Funds. The City elected to use the funds on revenue replacement in FY23.
- Approximately \$5,525,000 in water and sewer assets were given to the City by developers.
- Water and sewer service rates were increased and growth in the system resulting in an increase in revenue of \$2,201,714.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position  
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 423,314	\$ 626,935	\$ 23,426,022	\$ 25,627,736	\$ 23,849,336	\$ 26,254,671
Operating Grants and Contributions	3,416,622	6,821,829	14,370	19,573	3,430,992	6,841,402
Capital Grants and Contributions	-	242,832	2,933,394	5,614,713	2,933,394	5,857,545
General Revenues:						
Property Taxes	12,084,859	12,571,874	-	-	12,084,859	12,571,874
Other Taxes and Fees	6,987,177	7,752,404	-	-	6,987,177	7,752,404
Grants and Contributions not Restricted						
Other Revenue	67,800	722,144	3,488	403,683	71,288	1,125,827
Total Revenues	<u>22,979,772</u>	<u>28,738,018</u>	<u>26,377,274</u>	<u>31,665,705</u>	<u>49,357,046</u>	<u>60,403,723</u>
<b>Expenses:</b>						
General Government	4,530,733	6,371,382	-	-	4,530,733	6,371,382
Public Safety	12,476,303	14,208,697	-	-	12,476,303	14,208,697
Transportation	2,601,447	3,395,730	-	-	2,601,447	3,395,730
Economic and Physical Development	622,665	816,721	-	-	622,665	816,721
Culture and Recreational	809,652	932,353	-	-	809,652	932,353
Interest on Long-term Debt	459,091	883,110	-	-	459,091	883,110
Water and Sewer Fund	-	-	20,876,600	23,608,570	20,876,600	23,608,570
Parking Services Fund	-	-	454,355	612,881	454,355	612,881
Environmental Services Fund	-	-	1,710,016	1,667,333	1,710,016	1,667,333
Stormwater Fund	-	-	1,352,826	948,011	1,352,826	948,011
Total Expenses	<u>21,499,891</u>	<u>26,607,993</u>	<u>24,393,797</u>	<u>26,836,795</u>	<u>45,893,688</u>	<u>53,444,788</u>
Change in Net Position before						
Transfers	1,479,881	2,130,025	1,983,477	4,828,910	3,463,358	6,958,935
Transfers	(350,000)	3,765,747	350,000	(3,765,747)	-	-
Change in Net Position	<u>1,129,881</u>	<u>5,895,772</u>	<u>2,333,477</u>	<u>1,063,163</u>	<u>3,463,358</u>	<u>6,958,935</u>
Net Position, Beginning of Year	<u>25,474,505</u>	<u>26,604,386</u>	<u>79,588,649</u>	<u>81,922,126</u>	<u>105,063,154</u>	<u>108,526,512</u>
Net Position, End of Year	<u>\$ 26,604,386</u>	<u>\$ 32,500,158</u>	<u>\$ 81,922,126</u>	<u>\$ 82,985,289</u>	<u>\$ 108,526,512</u>	<u>\$ 115,485,447</u>

**Governmental Activities:** Governmental activities increased the City's net position by \$5,895,772 over the prior year. The key element of this increase is the proceeds from the CSLRF and other grants and contributions totaling approximately \$6,821,000.

**Business-type Activities:** Business-type activities increased the City's net position by \$1,063,163, primarily due to increases of water and sewer rates and donated assets. The City is committed to maintain rates sufficient to meet the covenants required for revenue bonds that have been issued.



# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

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

#### General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance available in the General Fund was \$5,563,479, while total fund balance reached \$11,594,167. The Governing Body has determined that the City should maintain an available fund balance for the General Fund to be at a minimum of 25% of the City's expenditure group as determined by the Local Government Commission. The City is classified by the LGC as a municipality with General Fund expenditures above \$10,000,000. The City will adjust these goals as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook. The City's General Fund fbalance available for appropriation as a percentage of expenditures is 30.2%, and total fund balance is 48.5%.

At June 30, 2023, the governmental funds of the City reported a combined total governmental fund balance of \$36,658,487, an increase of \$23,194,709 over last year. The increase was primarily due to proceeds from the issuance of debt and the CSLRF.

The General Fund recorded operating revenues of \$21,581,054 during FY 2023, which was an increase of \$1,849,545, or 9.4% over the \$19,731,509 recorded in FY 2022, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$479,000 or 4% over FY2022 mainly due to growth.
- Unrestricted Intergovernmental Revenue, which includes sales tax, increased over the prior fiscal year by approximately \$724,779 or 10.8%. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. Increases in sales tax were driven by a strong local economy and growth.
- Investment Income earned on the investment of idle cash was approximately \$281,000. This was a significant increase over the reported loss in FY22.

Expenditures in the General Fund, not including transfers, were \$23,914,493 for fiscal year 2023, which was an increase of approximately \$4,633,469, or 24% over the \$19,281,024 recorded in fiscal year 2022, primarily due to increases in personnel costs. The increase in personnel costs included 9 additional employees, final increase recommended by the pay and class study the City completed in FY22, and the end of a grant which had covered a portion of the salaries for 12 firefighter positions. Another noteworthy increase was in total debt service costs which increased approximately \$1,043,000.

#### General Fund Budgetary Highlights:

During the fiscal year, the City revised the budget on several occasions. In general, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services. The budget was revised several times throughout the year for reasons including to account for increased revenue projections at mid-year, implement phases of the pay and class increases, and adjust expenditures due to increased inflationary pressure.

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures, excluding transfers, ended the year at \$23,914,493, which was approximately \$933,785 or 3.8% below the \$24,848,278 revised expenditures budget for the fiscal year 2023. The primary contributing factor is employee salary and benefits from open positions that occur during the year. Another contributing factor was the approximately \$101,000 positive variance in the Developmental Assistance Department that was due to the Comprehensive Plan Project work that was not completed in FY23.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2023**

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

**Governmental Funds (Continued)**

The Governmental Capital Projects Fund, a major fund, includes expenditures for the Fire Station One, Edwards Park, City Hall Renovation, Seventh Avenue Streetscape and Tracey Grove Road Bridge projects. The construction of Fire Station 1, Edwards Park and the City Hall renovations were underway in FY23 and are expected to be complete in FY24.

The Grants Fund, a major fund, includes expenditures for state, federal, and local grants. These grants include the CSLRF, Staffing For Adequate Fire and Emergency Response (SAFER), Community Development Block Grant (CDBG), North Carolina Department of Environment and Natural Resources (NCDENR).

**Non-Major Governmental Funds**

Non-Major Governmental Funds consist of Special Revenue Funds that are funded by specific revenue sources, including the City's two Municipal Service Districts (Main Street and Seventh Avenue). Revenues for FY23 in the non-major governmental funds decreased by approximately \$2,340,800 and expenditures decreased by approximately \$876,000 over the prior year. The primary reason for the decrease is the Grant Fund was reported as a major fund in FY23.

**Proprietary Funds**

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

**Water & Sewer Fund**

The Water & Sewer Fund recorded approximately \$22,494,000 in operating revenues for fiscal year 2023. This was a \$1,812,000 or a 8.8% increase over fiscal year 2022. The primary reason for this increase is an increase in the rates for water and sewer, growth of the system.

The Water & Sewer Fund recorded approximately \$22,535,000 in operating expenditures for fiscal year 2023. This was approximately \$2,763,000 or 14% greater than fiscal year 2022. The primary reason for the increase is due to the increase in wages for the pay and class study changes and new positions. Inflation was another significant factor. Total net position ended the year at \$82,209,392, an increase of \$1,180,658 with \$12,273,614 unrestricted.

**Parking Services Fund**

The City is completed construction of a downtown parking deck and began charging for on-street parking in fiscal year 2023. The City did not begin charging for deck or on-street parking until March of 2023 causing expenditures not including transfers to exceed revenues by \$861,026 in the fund. The total net position of the Parking Services Fund at year-end was \$354,329 with (458,858) unrestricted.

**Non-major Enterprise Funds**

Total net position decreased in the non-major enterprise funds by \$335,961 or 44% at June 30, 2023 compared to the prior year. Combined operating revenues increased approximately \$44,000 or 1.7%. Rising operating costs continue to be an issue.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2023**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City’s capital and right-to-use assets for its governmental and business–type activities as of June 30, 2023, totaled approximately \$180,357,772 (net of accumulated depreciation). This was an increase of \$31,774,411 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

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

- Construction of a parking deck (completed)
- Etowah Water System Improvements (substantially complete)
- Construction of the French Broad River Raw Water Intake
- Clear Creek Sewer Interceptor
- Edwards Park and Laura E. Corn Mini-Golf
- Fire Station One

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Land	\$ 4,804,022	\$ 5,114,207	\$ 5,416,226	\$ 5,601,616	\$ 10,220,248	\$ 10,715,823
Buildings	20,432,311	19,490,118	781,296	11,562,062	21,213,607	31,052,180
Other Improvements	1,131,410	1,045,839	173,087	153,162	1,304,497	1,199,001
Machinery and Equipment	3,676,505	4,487,624	3,653,238	4,812,022	7,329,743	9,299,646
Infrastructure	9,096,394	8,469,636	70,235,665	78,434,772	79,332,059	86,904,408
Software	-	-	30,691	22,235	30,691	22,235
Lease assets	-	163,476	-	61,335	-	224,811
Subscription assets	-	201,784	-	418,712	-	620,496
Construction in Progress	1,597,470	6,381,213	27,555,046	33,937,959	29,152,516	40,319,172
<b>Total</b>	<b>\$ 40,738,112</b>	<b>\$ 45,353,897</b>	<b>\$ 107,845,249</b>	<b>\$ 135,003,875</b>	<b>\$ 148,583,361</b>	<b>\$ 180,357,772</b>

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

Capital asset purchases are part of the City’s Ten-Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on the City’s capital assets can be found in Note 5 in the Notes to the Financial Statements.

**Long-term Debt**

As of June 30, 2023, the City had total bonded debt outstanding of \$39,836,046 (net of unamortized premiums). Of this total bonded debt, \$539,000 is backed by the full faith and credit of the City. The revenue bonds are secured by specified revenue sources, and the remainder of the City’s debt represents loans secured solely by lien on the particular assets financed.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2023**

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

**Long-term Debt (Continued)**

**City’s Outstanding Debt  
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2022	2023	2022	2023	2022	2023
General Obligation Bonds	\$ 694,000	\$ 539,000	\$ -	\$ -	\$ 694,000	\$ 539,000
Limited Obligation Bonds	3,335,000	3,115,000	10,965,000	10,590,000	14,300,000	13,705,000
Bond Premiums	600,950	520,655	1,687,051	1,520,391	2,288,001	2,041,046
Revenue Bonds	-	-	16,589,000	23,551,000	16,589,000	23,551,000
State Revolving Loans	-	-	15,909,417	26,463,673	15,909,417	26,463,673
Installment Purchase Contracts	17,124,552	37,894,506	834,418	5,080,534	17,958,970	42,975,040
Lease liabilities	-	163,731	-	62,233	-	225,964
Subscription liabilities	-	191,259	-	433,377	-	624,636
Compensated absences	1,121,124	1,259,381	729,814	763,166	1,850,938	2,022,547
Total OPEB Liability	2,546,015	2,241,819	1,901,173	1,642,136	4,447,188	3,883,955
Net Pension Liability (LGERS)	1,751,465	7,567,257	1,308,060	5,544,580	3,059,525	13,111,837
Total Pension Liability (LEOSSA)	1,667,006	1,445,194	-	-	1,667,006	1,445,194
<b>Total</b>	<b>\$ 28,840,112</b>	<b>\$ 54,937,802</b>	<b>\$ 49,923,933</b>	<b>\$ 75,651,090</b>	<b>\$ 78,764,045</b>	<b>\$ 130,588,892</b>

- Total debt increased by \$42,385,971 during fiscal year 2023. The primary contributing factors are an \$18,802,000 Installment Purchase Contract to fund the replacement of a fire station, park, mini-golf course, and fire apparatus. The City also issued \$8,480,000 in revenue bonds for the City’s water and sewer systems and added \$11,316,533 in State Revolving Loan funds for the French Broad River Intake project.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City is approximately \$185,269,600.

Additional information regarding the City’s long-term debt can be found in Note 6 in the Notes to the Financial Statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

**Economic Factors**

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

- Henderson County’s unemployment rate was 3.0% as of June 30, 2023. This was down 0.50% over FY22.
- The certified population estimate for the City of Hendersonville as of July 1, 2023 was 16,443.
- A new \$80M commerce center is under construction in the City that will provide more than 654,000 sqft of Class A industrial warehouse space..
- New project near in downtown Hendersonville continues to make progress and is expected to provide a hotel, conference center, and luxury condominiums.
- One large apartment complex completed approximately 190 units in its first phase, and the second phase is under construction.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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- A development with approximately 140 townhomes was completed, and approximately 180 single family homes are under construction.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

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

The fiscal year ending June 30, 2024 ("2024" or "FY 2024") operating budget totals approximately \$55,780,000 for the City's budgeted operating funds. This is approximately \$3,614,000 or 7.0%, higher than the approximately \$52,166,000 original FY 2023 budget.

### **Governmental Activities**

Property taxes total approximately \$13,942,000 of the FY2024 recommended budget for the General Fund which makes up the majority of the governmental activities. The FY24 budget includes a \$2.4M (21.22%) increase over the current year revised budget. In FY24, the City decreased the ad valorem tax rate by \$0.03 per \$100 valuation. While we have decreased compared to FY23, the \$0.49 rate represents an approximate \$0.07 increase over the revenue neutral rate of \$0.4192 per \$100 valuation. Property tax continues to be the most stable revenue source for local government in North Carolina and pending any major externalities should remain relatively stable.

Local option sales taxes are an elastic revenue source, totaling approximately \$5.9M in the FY24 budget. This budget amount represents an approximate \$180k (3.1%) increase over FY23. We have seen unprecedented growth in sales tax revenues in recent years, and remain conservative with our budgeted sales tax revenues in FY24 due to market conditions.

The budgeted fund balance appropriation in the General Fund is \$1,666,590.

### **Business-type Activities**

The Water and Sewer Fund's primary revenue source is water and sewer sales & services – fees assessed for the consumption/usage of service. Sales & services revenues are approximately 96.13% of the total FY24 budget. Other revenues sources include but are not limited to, permits and fees (3.79%), investment earnings (0.03%), and miscellaneous sources (0.05%).

Sales & services total \$22.9M (96.13%) in the FY24 Water and Sewer Fund budget. The FY24 budget includes estimated revenues earned from meter-based and volumetric usage charges. The City is recognizing a pattern of residential, commercial, and industrial growth that will bring a higher demand for service adding additional connections and revenue to the utility system.

### **Additional Information**

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

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
JUNE 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,945,711	\$ 3,890,063	\$ 7,835,774	\$ 1,252,181
Investments	4,833,564	5,946,616	10,780,180	-
Receivables, net:				
Taxes receivable	248,073	-	248,073	-
Accounts	427,077	3,585,723	4,012,800	687
Grants	1,029,670	140	1,029,810	-
Shared taxes	1,964,000	3,200	1,967,200	-
Refundable taxes	758,364	16,243	774,607	-
Loans	-	2,921,883	2,921,883	-
Accrued interest	24,423	15,748	40,171	-
Internal balances	675,217	(675,217)	-	-
Prepaid items	37,653	37,868	75,521	40,185
Inventories	-	1,288,262	1,288,262	999,647
Restricted cash and cash equivalents	24,307,281	8,948,326	33,255,607	-
Notes and leases receivable	967,984	735,717	1,703,701	-
Capital assets, nondepreciable	11,495,420	39,539,575	51,034,995	-
Capital assets, depreciable, net of accumulated depreciation	33,858,477	95,464,300	129,322,777	1,639,790
<b>Total assets</b>	<b>84,572,914</b>	<b>161,718,447</b>	<b>246,291,361</b>	<b>3,932,490</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	5,511,702	3,806,354	9,318,056	374,819
OPEB related items	651,282	477,066	1,128,348	-
<b>Total deferred outflows of resources</b>	<b>6,162,984</b>	<b>4,283,420</b>	<b>10,446,404</b>	<b>374,819</b>
<b>LIABILITIES</b>				
Accounts payable	1,679,119	4,711,149	6,390,268	613,459
Retainage payable	209,651	725,910	935,561	-
Accrued salaries and benefits	324,507	304,894	629,401	-
Accrued interest payable	312,276	185,941	498,217	-
Customer deposits	-	376,918	376,918	-
Other accrued liabilities	-	-	-	150,000
Noncurrent liabilities:				
Due within one year	3,708,064	5,396,337	9,104,401	-
Due in more than one year	51,229,738	70,254,753	121,484,491	472,189
<b>Total liabilities</b>	<b>57,463,355</b>	<b>81,955,902</b>	<b>139,419,257</b>	<b>1,235,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	379,697	75,812	455,509	1,995
OPEB related items	392,688	287,645	680,333	-
Lease receipts	-	697,219	697,219	-
<b>Total deferred inflows of resources</b>	<b>772,385</b>	<b>1,060,676</b>	<b>1,833,061</b>	<b>1,995</b>
<b>NET POSITION</b>				
Net investment in capital assets	24,328,314	71,668,399	95,996,713	1,639,790
Restricted for:				
Stabilization by State Statute	4,202,146	-	4,202,146	341,392
USDA debt reserve	124,449	-	124,449	-
Economic development	378,440	-	378,440	-
Public safety	1,333,329	-	1,333,329	-
Human services	1,500,000	-	1,500,000	-
Parks	245,200	-	245,200	-
Capital projects	-	-	-	30,629
Unrestricted	388,280	11,316,890	11,705,170	1,057,855
<b>Total net position</b>	<b>\$ 32,500,158</b>	<b>\$ 82,985,289</b>	<b>\$ 115,485,447</b>	<b>\$ 3,069,666</b>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 6,371,382	\$ 57,141	\$ -	\$ 9,702
Public safety	14,208,697	271,432	6,355,479	-
Transportation	3,395,730	-	463,850	233,130
Economic and physical development	816,721	214,950	-	-
Culture and recreation	932,353	83,412	2,500	-
Interest on long-term debt	883,110	-	-	-
Total governmental activities	<u>26,607,993</u>	<u>626,935</u>	<u>6,821,829</u>	<u>242,832</u>
Business-type activities:				
Water and sewer	23,608,570	22,512,835	6,420	5,525,336
Parking services	612,881	564,735	-	-
Environmental services	1,667,333	1,524,404	13,153	-
Stormwater	948,011	1,025,762	-	89,377
Total business-type activities	<u>26,836,795</u>	<u>25,627,736</u>	<u>19,573</u>	<u>5,614,713</u>
Total primary government	<u>53,444,788</u>	<u>26,254,671</u>	<u>6,841,402</u>	<u>5,857,545</u>
<b>Component unit:</b>				
Hendersonville ABC Board	<u>\$ 11,426,820</u>	<u>\$ 11,541,820</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Taxes:		
		Property taxes		
		Sales taxes		
		Franchise taxes		
		Gross receipts tax		
		Other taxes		
		Unrestricted investment earnings		
		Miscellaneous		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning of year		
		Net position, end of year		

**Net (Expense) Revenue and  
Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
\$ (6,304,539)	\$ -	\$ (6,304,539)	\$ -
(7,581,786)	-	(7,581,786)	-
(2,698,750)	-	(2,698,750)	-
(601,771)	-	(601,771)	-
(846,441)	-	(846,441)	-
(883,110)	-	(883,110)	-
<u>(18,916,397)</u>	<u>-</u>	<u>(18,916,397)</u>	<u>-</u>
-	4,436,021	4,436,021	-
-	(48,146)	(48,146)	-
-	(129,776)	(129,776)	-
-	167,128	167,128	-
<u>-</u>	<u>4,425,227</u>	<u>4,425,227</u>	<u>-</u>
<u>(18,916,397)</u>	<u>4,425,227</u>	<u>(14,491,170)</u>	<u>-</u>
-	-	-	115,000
12,571,874	-	12,571,874	-
5,882,131	-	5,882,131	-
1,347,011	-	1,347,011	-
12,084	-	12,084	-
511,178	-	511,178	-
565,359	403,683	969,042	15,029
156,785	-	156,785	-
3,765,747	(3,765,747)	-	-
<u>24,812,169</u>	<u>(3,362,064)</u>	<u>21,450,105</u>	<u>15,029</u>
5,895,772	1,063,163	6,958,935	130,029
26,604,386	81,922,126	108,526,512	2,939,637
<u>\$ 32,500,158</u>	<u>\$ 82,985,289</u>	<u>\$ 115,485,447</u>	<u>\$ 3,069,666</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	<b>General Fund</b>	<b>Grants Fund</b>	<b>Governmental Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,784,140	\$ 87,635	\$ -	\$ -	\$ 3,871,775
Investments	4,481,324	103,305	-	161,832	4,746,461
Receivables, net:					
Taxes receivable	237,988	-	-	10,085	248,073
Accounts	426,957	-	-	-	426,957
Grants	-	821,040	208,630	-	1,029,670
Shared taxes	1,865,504	-	-	98,496	1,964,000
Refundable taxes	758,364	-	-	-	758,364
Accrued interest	20,605	3,201	-	617	24,423
Due from other funds	675,217	-	-	-	675,217
Prepaid items	37,503	-	-	150	37,653
Restricted cash and cash equivalents	124,449	1,494,609	22,477,006	211,217	24,307,281
Notes receivable	455,484	512,500	-	-	967,984
<b>Total assets</b>	<b>\$ 12,867,535</b>	<b>\$ 3,022,290</b>	<b>\$ 22,685,636</b>	<b>\$ 482,397</b>	<b>\$ 39,057,858</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 720,561	\$ 17,611	\$ 868,784	\$ 10,184	\$ 1,617,140
Retainage payable	-	-	209,651	-	209,651
Accrued salaries and benefits	314,834	-	-	9,673	324,507
<b>Total liabilities</b>	<b>1,035,395</b>	<b>17,611</b>	<b>1,078,435</b>	<b>19,857</b>	<b>2,151,298</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	237,973	-	-	10,100	248,073
Total deferred inflows of resources	237,973	-	-	10,100	248,073
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable:					
Prepaid items	37,503	-	-	150	37,653
Restricted for:					
Stabilization by State Statute	4,202,146	-	-	-	4,202,146
USDA debt reserve	124,449	-	-	-	124,449
Capital projects	-	-	21,607,201	-	21,607,201
Economic development	-	-	-	378,440	378,440
Public safety	-	1,259,479	-	73,850	1,333,329
Human services	-	1,500,000	-	-	1,500,000
Parks	-	245,200	-	-	245,200
Assigned for fiscal year 2024 budget	2,614,518	-	-	-	2,614,518
Unassigned	4,615,551	-	-	-	4,615,551
<b>Total fund balances</b>	<b>11,594,167</b>	<b>3,004,679</b>	<b>21,607,201</b>	<b>452,440</b>	<b>36,658,487</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,867,535</b>	<b>\$ 3,022,290</b>	<b>\$ 22,685,636</b>	<b>\$ 482,397</b>	<b>\$ 39,057,858</b>

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

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION OF THE GOVERNMENTAL ACTIVITIES JUNE 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds		\$ 36,658,487
Capital assets and right-to-use assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Cost	\$ 74,325,840	
Less accumulated depreciation and amortization	<u>(28,971,943)</u>	45,353,897
Internal service funds are used by the City to charge cost to other funds. The assets and liabilities are included in the governmental activities.		
		99,180
Property tax revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
		248,073
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, net of unamortized premiums	\$ (4,174,655)	
Installment purchase contracts	(37,617,673)	
Financed purchases	(276,833)	
Leases	(163,731)	
Subscription-based information technology arrangements	(191,259)	
Accrued interest	(312,276)	
Compensated absences	<u>(1,259,381)</u>	(43,995,808)
The net pension liability (LGERS), total pension liability (LEOSSA), and the related deferred outflows of resources and deferred inflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.		
Net pension liability (LGERS)	\$ (7,567,257)	
Total pension liability (LEOSSA)	(1,445,194)	
Deferred outflows of resources - pension items	5,511,702	
Deferred inflows of resources - pension items	<u>(379,697)</u>	(3,880,446)
The total OPEB liability and related deferred outflows of resources and deferred inflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.		
Total OPEB liability	\$ (2,241,819)	
Deferred outflows of resources - OPEB items	651,282	
Deferred inflows of resources - OPEB items	<u>(392,688)</u>	<u>(1,983,225)</u>
Net position - governmental activities		<u>\$ 32,500,158</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Governmental Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Ad valorem taxes	\$ 12,027,091	\$ -	\$ -	\$ 334,132	\$ 12,361,223
Other taxes and licenses	12,084	-	-	-	12,084
Unrestricted intergovernmental	7,393,606	-	-	352,928	7,746,534
Restricted intergovernmental	891,391	5,904,910	233,130	5,298	7,034,729
Permits and fees	458,957	-	-	-	458,957
Sales and services	352,080	-	-	24,335	376,415
Investment earnings (loss)	281,089	37,894	237,620	8,756	565,359
Miscellaneous	164,756	-	2,500	16,094	183,350
Total revenues	<u>21,581,054</u>	<u>5,942,804</u>	<u>473,250</u>	<u>741,543</u>	<u>28,738,651</u>
<b>Expenditures:</b>					
Current:					
General government	5,367,104	360,000	44,594	-	5,771,698
Public safety	12,258,301	675,349	-	98,081	13,031,731
Transportation	2,907,834	38,786	-	-	2,946,620
Economic and physical development	-	130,123	-	648,482	778,605
Culture and recreation	892,052	-	-	-	892,052
Capital outlay	-	5,735	5,810,568	-	5,816,303
Debt service:					
Principal	1,682,931	-	-	28,340	1,711,271
Interest	806,271	-	-	17,254	823,525
Issuance costs	-	-	80,315	-	80,315
Total expenditures	<u>23,914,493</u>	<u>1,209,993</u>	<u>5,935,477</u>	<u>792,157</u>	<u>31,852,120</u>
Excess (deficiency) of revenues over (under) expenditures	(2,333,439)	4,732,811	(5,462,227)	(50,614)	(3,113,469)
<b>Other financing sources (uses):</b>					
Sale of capital assets	81,216	-	-	-	81,216
Issuance of long-term debt	1,254,350	-	21,206,865	-	22,461,215
Transfers in	4,555,606	537,691	4,955,004	400,000	10,448,301
Transfers out	(1,726,948)	(4,555,606)	-	(400,000)	(6,682,554)
Total other financing sources (uses)	<u>4,164,224</u>	<u>(4,017,915)</u>	<u>26,161,869</u>	<u>-</u>	<u>26,308,178</u>
Net change in fund balances	1,830,785	714,896	20,699,642	(50,614)	23,194,709
Fund balances, beginning of year	<u>9,763,382</u>	<u>2,289,783</u>	<u>907,559</u>	<u>503,054</u>	<u>13,463,778</u>
Fund balances, end of year	<u>\$ 11,594,167</u>	<u>\$ 3,004,679</u>	<u>\$ 21,607,201</u>	<u>\$ 452,440</u>	<u>\$ 36,658,487</u>

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

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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

Net change in fund balances - total governmental funds		\$ 23,194,709
<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	\$ 7,624,871	
Depreciation and amortization expense	<u>(2,641,274)</u>	4,983,597
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>		
Net book value of capital assets disposed	\$ (377,514)	
Donations of capital assets	<u>9,702</u>	(367,812)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue - property taxes	\$ (9,429)	
Unavailable revenue - intergovernmental	<u>(906)</u>	(10,335)
<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, however, has any effect on net position. This amount is the net effect of these differences</p>		
Installment purchase contracts issued	\$ (21,992,123)	
Inception of lease arrangements	(176,053)	
Inception of subscription-based information technology arrangements (SBITAs)	(293,039)	
Principal payments on outstanding bonds payable	375,000	
Principal payments on outstanding installment purchase contracts	1,084,200	
Principal payments on outstanding financed purchases	137,969	
Principal payments on outstanding leases	12,322	
Principal payments on outstanding SBITAs	<u>101,780</u>	(20,749,944)
<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>		
Accrued interest	\$ (139,880)	
Amortization of bond premium	80,295	
Change in compensated absences	(138,257)	
Change in pension expense (LGERS)	(807,877)	
Change in pension expense (LEOSSA)	(82,145)	
Change in OPEB expense	<u>(87,950)</u>	(1,175,814)
<p>Internal service funds are used by management to charge the costs of health and welfare benefits expenses for the City's employees to the City's individual funds. The net expense of the internal service funds is reported with governmental activities.</p>		
		<u>21,371</u>
Change in net position - governmental activities		<u>\$ 5,895,772</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 11,469,868	\$ 11,794,708	\$ 12,027,091	\$ 232,383
Other taxes and licenses	9,000	10,720	12,084	1,364
Unrestricted intergovernmental revenue	6,694,346	7,364,473	7,393,606	29,133
Restricted intergovernmental revenue	757,779	793,059	891,391	98,332
Permits and fees	435,600	450,745	458,957	8,212
Sales and services	86,100	373,805	352,080	(21,725)
Investment earnings	175,000	232,760	281,089	48,329
Miscellaneous revenues	313,000	203,297	164,756	(38,541)
Total revenues	<u>19,940,693</u>	<u>21,223,567</u>	<u>21,581,054</u>	<u>357,487</u>
<b>Expenditures</b>				
Current:				
General government	5,108,381	5,831,815	5,367,104	464,711
Public safety	11,752,426	12,614,448	12,258,301	356,147
Transportation	3,081,846	2,972,728	2,907,834	64,894
Culture and recreation	879,962	939,563	892,052	47,511
Debt service:				
Principal	1,501,267	1,674,379	1,682,931	(8,552)
Interest and fiscal charges	812,301	815,345	806,271	9,074
Total expenditures	<u>23,136,183</u>	<u>24,848,278</u>	<u>23,914,493</u>	<u>933,785</u>
(Deficiency) of revenues (under) expenditures	(3,195,490)	(3,624,711)	(2,333,439)	1,291,272
<b>Other financing sources (uses)</b>				
Sale of capital assets	20,000	87,220	81,216	(6,004)
Issuance of long-term debt	1,088,700	1,386,219	1,254,350	(131,869)
Appropriation of fund balance	1,666,590	1,086,525	-	(1,086,525)
Operating transfers in from other funds	1,250,000	4,511,800	4,555,606	43,806
Operating transfers out to other funds	(829,800)	(3,447,053)	(1,726,948)	1,720,105
Total other financing sources (uses)	<u>3,195,490</u>	<u>3,624,711</u>	<u>4,164,224</u>	<u>539,513</u>
Net change in fund balance	-	-	1,830,785	1,830,785
<b>Fund balances, beginning of year</b>	<u>9,763,382</u>	<u>9,763,382</u>	<u>9,763,382</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 9,763,382</u>	<u>\$ 9,763,382</u>	<u>\$ 11,594,167</u>	<u>\$ 1,830,785</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2023**

	<b>Water and Sewer Fund</b>	<b>Parking Services Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,890,063	\$ -	\$ -	\$ 3,890,063	\$ 73,936
Investments	5,946,616	-	-	5,946,616	87,103
Receivables, net:					
Accounts	3,198,599	6,130	380,994	3,585,723	120
Grants	140	-	-	140	-
Shared taxes	-	-	3,200	3,200	-
Refundable taxes	-	16,243	-	16,243	-
Loans from State Revolving Fund	2,913,583	-	8,300	2,921,883	-
Accrued interest	15,400	348	-	15,748	-
Lease receivable	2,807	-	-	2,807	-
Prepaid items	37,868	-	-	37,868	-
Inventories	1,288,262	-	-	1,288,262	-
Restricted cash and cash equivalents	8,948,326	-	-	8,948,326	-
Total current assets	<u>26,241,664</u>	<u>22,721</u>	<u>392,494</u>	<u>26,656,879</u>	<u>161,159</u>
Noncurrent assets:					
Lease receivable	732,910	-	-	732,910	-
Capital assets:					
Non-depreciable	37,280,460	1,912,656	346,459	39,539,575	-
Depreciable, net of accumulated depreciation	<u>82,851,873</u>	<u>11,010,922</u>	<u>1,601,505</u>	<u>95,464,300</u>	<u>-</u>
Total capital assets, net	<u>120,132,333</u>	<u>12,923,578</u>	<u>1,947,964</u>	<u>135,003,875</u>	<u>-</u>
Total noncurrent assets	<u>120,865,243</u>	<u>12,923,578</u>	<u>1,947,964</u>	<u>135,736,785</u>	<u>-</u>
Total assets	<u>147,106,907</u>	<u>12,946,299</u>	<u>2,340,458</u>	<u>162,393,664</u>	<u>161,159</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	3,292,712	-	513,642	3,806,354	-
OPEB related items	<u>412,750</u>	<u>-</u>	<u>64,316</u>	<u>477,066</u>	<u>-</u>
Total deferred outflows of resources	<u>3,705,462</u>	<u>-</u>	<u>577,958</u>	<u>4,283,420</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	4,621,485	21,922	67,742	4,711,149	61,979
Retainage payable	725,910	-	-	725,910	-
Accrued salaries and benefits	266,299	2,932	35,663	304,894	-
Due to other funds	-	412,129	263,088	675,217	-
Accrued interest payable	136,102	43,521	6,318	185,941	-
Customer deposits payable	375,843	1,075	-	376,918	-
Compensated absences, current	357,473	-	42,316	399,789	-
Current portion of long-term debt	<u>4,288,829</u>	<u>554,492</u>	<u>153,227</u>	<u>4,996,548</u>	<u>-</u>
Total current liabilities	<u>10,771,941</u>	<u>1,036,071</u>	<u>568,354</u>	<u>12,376,366</u>	<u>61,979</u>
Long-term liabilities:					
Compensated absences, less current portion	323,181	-	40,196	363,377	-
Long-term debt, less current portion	50,279,072	11,555,899	869,701	62,704,672	-
Net pension liability	4,796,366	-	748,202	5,544,568	-
Total OPEB liability	<u>1,420,751</u>	<u>-</u>	<u>221,385</u>	<u>1,642,136</u>	<u>-</u>
Total long-term liabilities	<u>56,819,370</u>	<u>11,555,899</u>	<u>1,879,484</u>	<u>70,254,753</u>	<u>-</u>
Total liabilities	<u>67,591,311</u>	<u>12,591,970</u>	<u>2,447,838</u>	<u>82,631,119</u>	<u>61,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	65,581	-	10,231	75,812	-
OPEB related items	248,866	-	38,779	287,645	-
Lease receipts	<u>697,219</u>	<u>-</u>	<u>-</u>	<u>697,219</u>	<u>-</u>
Total deferred inflows of resources	<u>1,011,666</u>	<u>-</u>	<u>49,010</u>	<u>1,060,676</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	69,935,778	813,187	919,434	71,668,399	-
Unrestricted	<u>12,273,614</u>	<u>(458,858)</u>	<u>(497,866)</u>	<u>11,316,890</u>	<u>99,180</u>
Total net position	<u>\$ 82,209,392</u>	<u>\$ 354,329</u>	<u>\$ 421,568</u>	<u>\$ 82,985,289</u>	<u>\$ 99,180</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water and Sewer Fund</b>	<b>Parking Services Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 21,489,697	\$ 564,735	\$ 2,550,166	\$ 24,604,598	\$ 390,026
Water and sewer taps	402,284	-	-	402,284	-
Other operating income	620,854	-	-	620,854	25,936
Total operating revenues	<u>22,512,835</u>	<u>564,735</u>	<u>2,550,166</u>	<u>25,627,736</u>	<u>415,962</u>
<b>OPERATING EXPENSES</b>					
Administrative	5,382,824	-	-	5,382,824	-
Operations support	5,117,405	-	-	5,117,405	-
Water treatment and distribution	5,104,471	-	-	5,104,471	-
Waste collection and treatment	3,053,835	-	1,535,233	4,589,068	-
Parking services	-	215,757	-	215,757	-
Stormwater	-	-	869,937	869,937	-
Risk management and employee benefits	-	-	-	-	394,591
Depreciation and amortization	4,217,802	129,374	192,853	4,540,029	-
Total operating expenses	<u>22,876,337</u>	<u>345,131</u>	<u>2,598,023</u>	<u>25,819,491</u>	<u>394,591</u>
Operating income (loss)	(363,502)	219,604	(47,857)	(191,755)	21,371
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Investment earnings	335,637	64,359	3,687	403,683	-
Intergovernmental revenue	-	-	12,865	12,865	-
Other nonoperating revenue	6,420	-	288	6,708	-
Loss on disposal of capital assets	(350)	-	-	(350)	-
Interest expense	(610,633)	(267,750)	(17,321)	(895,704)	-
Debt issuance costs	(121,250)	-	-	(121,250)	-
Total nonoperating expenses, net	<u>(390,176)</u>	<u>(203,391)</u>	<u>(481)</u>	<u>(594,048)</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>					
	(753,678)	16,213	(48,338)	(785,803)	21,371
<b>Capital contributions</b>					
Capital contributions	5,525,336	-	89,377	5,614,713	-
Transfers in	425,000	202,253	-	627,253	-
Transfers out	(4,016,000)	-	(377,000)	(4,393,000)	-
Total capital contributions and transfers	<u>1,934,336</u>	<u>202,253</u>	<u>(287,623)</u>	<u>1,848,966</u>	<u>-</u>
Change in net position	1,180,658	218,466	(335,961)	1,063,163	21,371
<b>NET POSITION, beginning of year</b>	<u>81,028,734</u>	<u>135,863</u>	<u>757,529</u>	<u>81,922,126</u>	<u>77,809</u>
<b>NET POSITION, end of year</b>	<u>\$ 82,209,392</u>	<u>\$ 354,329</u>	<u>\$ 421,568</u>	<u>\$ 82,985,289</u>	<u>\$ 99,180</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water and Sewer Fund</b>	<b>Parking Services Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 22,492,382	\$ 566,485	\$ 2,573,318	\$ 25,632,185	\$ 415,962
Payments to suppliers and service providers	(4,833,179)	(113,516)	(743,645)	(5,690,340)	(388,280)
Payments to employees	(10,139,157)	(111,608)	(1,669,609)	(11,920,374)	-
Net cash provided by operating activities	<u>7,520,046</u>	<u>341,361</u>	<u>160,064</u>	<u>8,021,471</u>	<u>27,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from (purchases of) investments	(1,170,003)	2,986	49,918	(1,117,099)	18,893
Interest income received	323,662	64,011	-	387,673	-
Net cash provided by (used in) investing activities	<u>(846,341)</u>	<u>66,997</u>	<u>49,918</u>	<u>(729,426)</u>	<u>18,893</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(17,448,722)	(8,660,651)	(604,386)	(26,713,759)	-
Interfund borrowings for capital asset purchases	-	412,129	263,088	675,217	-
Interfund transfer out for reimbursement of project costs	(4,016,000)	-	(377,000)	(4,393,000)	-
Proceeds from capital grants	-	-	24,620	24,620	-
Principal payments on long-term debt	(2,551,152)	(375,000)	(129,917)	(3,056,069)	-
Interest payments on long-term debt	(520,891)	(435,951)	(14,168)	(971,010)	-
Proceeds from issuance of long-term debt	24,938,696	-	612,013	25,550,709	-
Bond issuance costs paid	(121,250)	-	-	(121,250)	-
Capital grants received	61,959	-	-	61,959	-
Insurance reimbursements	6,420	-	-	6,420	-
Net cash provided by (used in) capital and related financing activities	<u>349,060</u>	<u>(9,059,473)</u>	<u>(225,750)</u>	<u>(8,936,163)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	425,000	202,253	-	627,253	-
Net cash provided by noncapital financing activities	<u>425,000</u>	<u>202,253</u>	<u>-</u>	<u>627,253</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,447,765	(8,448,862)	(15,768)	(1,016,865)	46,575
<b>Cash and cash equivalents:</b>					
Beginning of year	<u>5,390,624</u>	<u>8,448,862</u>	<u>15,768</u>	<u>13,855,254</u>	<u>27,361</u>
End of year	<u>\$ 12,838,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,838,389</u>	<u>\$ 73,936</u>
<b>Classified as:</b>					
Cash and cash equivalents	\$ 3,890,063	\$ -	\$ -	\$ 3,890,063	\$ 73,936
Restricted cash and cash equivalents	8,948,326	-	-	8,948,326	-
Total	<u>\$ 12,838,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,838,389</u>	<u>\$ 73,936</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (363,502)	\$ 219,604	\$ (47,857)	\$ (191,755)	\$ 21,371
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,217,802	129,374	192,853	4,540,029	-
(Increase) decrease in customer accounts receivable	(9,905)	1,750	23,152	14,997	-
(Increase) decrease in refundable taxes receivable	19	(12,299)	(3,200)	(15,480)	-
Increase in lease receivable and related deferrals	(40,962)	-	-	(40,962)	-
Decrease in prepaid expenses	79,806	-	-	79,806	-
Decrease in inventories	316,113	-	-	316,113	-
Increase in accounts payable	2,890,225	-	9,556	2,899,781	6,311
Increase (decrease) in accrued salaries and benefits	(206,919)	2,932	(46,657)	(250,644)	-
Increase in customer deposits payable	30,414	-	-	30,414	-
Increase (decrease) in compensated absences payable	54,596	-	(21,244)	33,352	-
Increase in net pension liability and related deferrals	504,826	-	63,527	568,353	-
Increase (decrease) in total OPEB liability and related deferrals	47,533	-	(10,066)	37,467	-
Net cash provided by operating activities	<u>\$ 7,520,046</u>	<u>\$ 341,361</u>	<u>\$ 160,064</u>	<u>\$ 8,021,471</u>	<u>\$ 27,682</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Donations of capital assets	\$ 5,463,377	\$ -	\$ 64,757	\$ 5,528,134	\$ -
Right-to-use asset acquired via leasing arrangement	67,521	-	-	67,521	-
Right-to-use asset acquired via SBITA	552,070	-	-	552,070	-
Total noncash capital and related financing activities	<u>\$ 6,082,968</u>	<u>\$ -</u>	<u>\$ 64,757</u>	<u>\$ 6,147,725</u>	<u>\$ -</u>

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



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2023**

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	<b>Billing Custodial Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 174,308
Accounts receivable	<u>366,752</u>
Total assets	<u>541,060</u>
<b>LIABILITIES</b>	
Due to others	<u>541,060</u>
Total liabilities	<u>541,060</u>
<b>NET POSITION</b>	
Restricted:	
Individuals, organizations, and other governments	<u>-</u>
Total net position	<u>\$ -</u>

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<b>Billing Custodial Fund</b>
<b>ADDITIONS</b>	
Sewer and stormwater billing collections	<u>\$ 2,256,288</u>
Total additions	<u>2,256,288</u>
<b>DEDUCTIONS</b>	
Payments to other governments and entities	<u>2,256,288</u>
Total deductions	<u>2,256,288</u>
Change in fiduciary net position	-
<b>NET POSITION, beginning of year</b>	<u>-</u>
<b>NET POSITION, end of year</b>	<u><u>\$ -</u></u>

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

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

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

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

The financial statements of the City include one (1) discretely presented component unit – the City of Hendersonville Alcoholic Beverage Control Board (the “ABC Board”). Members of the ABC Board’s governing body are appointed by the City. In addition, the ABC Board is required by State statute to distribute 50% of its surpluses to the General Fund of the City. The remainder is distributed to Henderson County and the Henderson County Board of Public Education. The ABC Board, which has a June 30<sup>th</sup> year end, is presented as a business-type activity discretely presented component unit. Complete financial information, including separately issued financial statements, may be obtained from the ABC Board’s administrative offices located at 205 South Church Street, Hendersonville, North Carolina 28792.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation and amortization expense on the City’s capital assets and intangible right-to-use assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and related items, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Grants Fund** is used to account for the receipt and disbursement of Federal and State grants, excluding those for which it may be deemed necessary for a separate fund to be established due to the size or nature of the grant.

The **Governmental Capital Projects Fund** is used to account for and report funds that are restricted, committed, or assigned for capital improvements. This fund adopts a multi-year project budget.

The City reports the following major enterprise funds:

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

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

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

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

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. 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 enterprise funds include the cost of these goods 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds, with the exception of capital projects funds and grant-related special revenue funds, for which project length budgets are adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. All funds, including the proprietary funds, are budgeted on the modified accrual basis of accounting and are adopted to show use of fund balance/net position as an other financing source. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2023, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules. All annual budget appropriations lapse at the end of each year.

#### E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Restricted Cash and Cash Equivalents

The City has restricted cash and cash equivalents related to (1) unspent Powell Bill funds in the General Fund that may only be expended for the purposes of maintaining, repairing, constructing, or widening of local streets per G.S. 136-41.1 through 41.4; (2) unexpended proceeds of debt that may only be expended for the purposes for which the debt was issued; and (3) unspent grant funds and contributions that may only be spent in accordance with the terms specified by the external resource provider.

#### G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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.

An estimated amount has been recorded for utility services provided but not billed as of the end of the fiscal year, and is included in accounts receivable, net of uncollectible amounts.

#### H. Allowances

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### I. Interfund Receivables and Payables

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

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



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method, which approximates market. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. Inventories and prepaid items are accounted for using the consumption method in that inventory is recorded as an asset when purchased and expended/expensed when consumed.

#### K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible right-to-use assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the respective fund in the proprietary funds' statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Intangible right-to-use assets from leasing arrangements are defined by the City as those assets with an initial cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. Public domain ("infrastructure") general capital assets acquired prior to July 1, 2003, consist of the road network (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or received substantial improvements subsequent to July 1, 1980. These assets are reported at estimated historical cost using deflated cost replacement. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Leases

##### *Lessor*

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

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

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

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

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

##### *Lessee*

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and right-to-use lease assets in the government-wide and enterprise fund financial statements. The City recognizes lease liabilities and leased right to use assets in accordance with its capitalization policy (Note 1-K) of \$100,000.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Leases (Continued)

##### *Lessee (Continued)*

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Subscription-Based Information Technology Arrangements

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources related to its pension and other postemployment benefit (OPEB) plans. These deferred outflows include (1) contributions to the Local Governmental Employees' Retirement System (LGERS) and Law Enforcement Officers Special Separation Allowance (LEOSSA) subsequent to the applicable measurement date; (2) differences between expected and actual experience of the pension plan and/or OPEB plan, (3) net differences between projected and actual investment earnings on the pension plan assets, (4) changes in proportion and the difference between the City's actual contributions towards the pension plan and the City's proportionate share of contributions, and (5) changes in the plan assumptions. Contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the subsequent fiscal period. The net difference between projected and actual investment earnings on the pension plan assets are amortized over five (5) years, while the remaining deferred outflows of resources will be amortized into pension and/or OPEB expense over the remaining service period of plan members.

In addition to liabilities, the statement of net 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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue from property taxes and intergovernmental revenues (grants) which arises only under a modified accrual basis of accounting. Accordingly, these unavailable revenues are reported only in the governmental funds balance sheet and will be recognized as revenue in the period in which the amounts become available. The Water and Sewer Fund and the government-wide statement of net position report deferred lease receipts. This amount will be amortized into revenue over the term of the applicable lease agreement. Finally, the City reports deferred inflows of resources related to its pension and/or OPEB plans which are discussed in the paragraph above.

#### O. 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. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Compensated Absences (Continued)

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.

#### P. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

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

#### Q. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Q. Fund Equity (Continued)

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the funds relate to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes imposed by majority vote by quorum of the City Council. The City Council 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 a subsequent ordinance).

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. City Council reserves the right to assign fund balance. Additionally, the portion of fund balance that has been appropriated in the next fiscal year's budget that is not already classified as restricted or committed is reported as assigned, as required by GASB Statement No. 54.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Additionally, any fund balance deficits in other governmental funds are reported as unassigned.

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

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Q. Fund Equity (Continued)

**Net Position (Continued)** – Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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, 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.

#### S. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information.** The City follows the following procedures in establishing its annual budgets:

- (1) Around the middle of February each year (legally required by to be completed by April 30<sup>th</sup>), all departments/activities of the City submit requests for appropriation to the Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
- (2) In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In May of each year, the proposed budget is presented to City Council for review (legally required to be submitted by June 1<sup>st</sup>). The City adopts the budget ordinance by July 1<sup>st</sup> of each year.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

- (3) All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multiyear project funds. All amendments must be approved by City Council and City Council 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 City Council. Budgeted expenditure appropriations lapse at year-end.
- (4) Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year-end lapse and are generally re-appropriated in the succeeding year's budget.

### NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2023, are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 7,835,774
Investments	10,780,180
Restricted cash and cash equivalents	33,255,607
Statement of Fiduciary Net Position	174,308
	<u>\$ 52,045,869</u>

Cash deposited with financial institution	\$ 41,265,689
Cash deposited with NCCMT	9,348,265
Investments	1,431,915
	<u>\$ 52,045,869</u>

**Credit Risk.** State statutes and the City's policies authorize the City to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2023, the City's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2023</u>	<u>Maturity Date</u>	<u>Rating</u>
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 9,348,265	None	AAAm
Federal Home Loan Banks (FHLB) Callable Bonds	Fair Value Level 2	453,515	3/24/2026	AA+
Federal Home Loan Mortgage Corporation (FHLMC) Callable Bonds	Fair Value Level 1	978,400	12/4/2023	AA+
		<u>\$ 10,780,180</u>		

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**Custodial Credit Risk – Deposits.** Deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City’s agent in the City’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City’s agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance.

As of June 30, 2023, all of the City’s deposits were covered by federal depository insurance or collateral held under the Pooling Method.

### NOTE 4. RECEIVABLES

Receivables at June 30, 2023, for the City’s individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Parking Services</u>	<u>Nonmajor Enterprise</u>
Receivables							
Taxes	\$ 3,102,006	\$ -	\$ -	\$ 122,301	\$ -	\$ 16,243	\$ 3,200
Notes	455,484	512,500	-	-	-	-	-
Accounts	447,562	3,201	-	617	3,308,924	136,090	389,623
Leases	-	-	-	-	735,717	-	-
Due from other governments	-	821,040	208,630	-	2,913,723	-	8,300
Less: allowance for uncollectible accounts	(240,150)	-	-	(13,720)	(94,925)	(129,612)	(8,629)
Net receivables	<u>\$ 3,764,902</u>	<u>\$ 1,336,741</u>	<u>\$ 208,630</u>	<u>\$ 109,198</u>	<u>\$ 6,863,439</u>	<u>\$ 22,721</u>	<u>\$ 392,494</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. RECEIVABLES (CONTINUED)

**Notes Receivable – Grey Hosiery Mill.** The City entered into two (2) notes receivable during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 began in January 2020 and will continue through maturity of the note in December 2027. The balance on this note at June 30, 2023, is \$112,500. The second note was for \$500,000 and does not bear interest. A payment of \$100,000 was made during the current fiscal year and then annual installments of \$50,000 are to begin in December 2027 and continue through December 2034. The balance on this note at June 30, 2023, is \$400,000.

**Note Receivable – Garrison Property.** In November 2020, the City entered into an economic development agreement with the Economic Investment Fund of Henderson County, Inc. (the "Fund") and Henderson County, North Carolina (the "County") related to the purchase of property by the Fund. Pursuant to the economic development agreement, a total of approximately \$2.3 million was loaned to the Fund with 50% coming from the City and 50% coming from the County. The proceeds from the note are being used to finance the purchase, marketing, and development of the property for the purpose of subsequently selling the property to industries. The note bears interest at a variable rate equal to the Wall Street Journal Prime Rate as published in the Wall Street Journal at the anniversary of the date of the note. The interest rate at each anniversary will be the rate for the one (1) year until the next anniversary and the rate is reset. As of June 30, 2023, the applicable interest rate is 7.75%. There is no scheduled amortization schedule for the note with regard to principal as amounts will be repaid to the City and to the County as parcels of the property are sold by the Fund. The entire principal balance is due and payable by the Fund by February 2031. The balance on this note at June 30, 2023, is \$455,484.

#### **Leases as Lessor**

During the fiscal year, the City had an active noncancelable lease agreement as lessor. The City has leased real property to a third party for the development of a cellular telecommunications tower. The City receives monthly payments in the amount of \$1,980 which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the City determined an incremental borrowing rate for the lease of 3.07% which has been used as the discount rate for the lease. For the current year, the City recognized \$21,537 in lease revenue and \$22,646 in interest revenue related to the lease. As of June 30, 2023, the City's receivable for lease payments was \$735,717, which is recorded in the City's Water and Sewer Fund (and business-type activities in the government-wide statement of net position). The City reports a corresponding deferred inflow of resources associated with this lease that will be recognized over the lease term that ends on November 15, 2055. This deferred inflow of resources has a balance of \$697,219 as of June 30, 2023.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2023, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 4,804,022	\$ 380,685	\$ (70,500)	\$ -	\$ 5,114,207
Construction in progress	1,597,470	5,129,629	-	(345,886)	6,381,213
Total capital assets, not being depreciated	<u>6,401,492</u>	<u>5,510,314</u>	<u>(70,500)</u>	<u>(345,886)</u>	<u>11,495,420</u>
Capital assets, being depreciated					
Buildings and improvements	26,963,741	55,000	(1,284,027)	345,886	26,080,600
Other improvements	5,112,121	-	(64,051)	-	5,048,070
Machinery and equipment	10,486,377	1,600,167	(340,663)	-	11,745,881
Software	413,918	-	(284,748)	-	129,170
Infrastructure	19,357,607	-	-	-	19,357,607
Right-to-use lease asset (equipment)	-	176,053	-	-	176,053
Right-to-use subscription assets	-	293,039	-	-	293,039
Total capital assets, being depreciated	<u>62,333,764</u>	<u>2,124,259</u>	<u>(1,973,489)</u>	<u>345,886</u>	<u>62,830,420</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,531,430)	(1,056,672)	997,620	-	(6,590,482)
Other improvements	(3,980,711)	(66,583)	45,063	-	(4,002,231)
Machinery and equipment	(6,809,872)	(787,429)	339,044	-	(7,258,257)
Software	(413,918)	-	284,748	-	(129,170)
Infrastructure	(10,261,213)	(626,758)	-	-	(10,887,971)
Right-to-use lease asset (equipment)	-	(12,577)	-	-	(12,577)
Right-to-use subscription assets	-	(91,255)	-	-	(91,255)
Total accumulated depreciation	<u>(27,997,144)</u>	<u>(2,641,274)</u>	<u>1,666,475</u>	<u>-</u>	<u>(28,971,943)</u>
Total capital assets and right-to-use assets, being depreciated/amortized, net	<u>34,336,620</u>	<u>(517,015)</u>	<u>(307,014)</u>	<u>345,886</u>	<u>33,858,477</u>
Governmental capital asset activities, net	<u>\$ 40,738,112</u>	<u>\$ 4,993,299</u>	<u>\$ (377,514)</u>	<u>\$ -</u>	<u>\$ 45,353,897</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Water and Sewer Fund:</b>					
Capital assets, not being depreciated					
Land	\$ 3,246,187	\$ 120,983	\$ (350)	\$ -	\$ 3,366,820
Construction in progress	23,628,227	16,028,879	-	(5,743,466)	33,913,640
Total capital assets, not being depreciated	<u>26,874,414</u>	<u>16,149,862</u>	<u>(350)</u>	<u>(5,743,466)</u>	<u>37,280,460</u>
Capital assets, being depreciated					
Buildings	1,717,630	-	-	226,609	1,944,239
Plant and distribution systems	118,592,106	5,865,152	(333,120)	5,516,857	129,640,995
Machinery and equipment	20,359,173	1,182,652	(37,744)	-	21,504,081
Other improvements	217,835	-	-	-	217,835
Software	202,631	-	(116,453)	-	86,178
Right-to-use lease asset (equipment)	-	67,521	-	-	67,521
Right-to-use subscription assets	-	552,079	-	-	552,079
Total capital assets, being depreciated	<u>141,089,375</u>	<u>7,667,404</u>	<u>(487,317)</u>	<u>5,743,466</u>	<u>154,012,928</u>
Less accumulated depreciation for:					
Buildings	(936,334)	(62,909)	-	-	(999,243)
Plant and distribution systems	(48,723,969)	(3,266,180)	332,861	-	(51,657,288)
Machinery and equipment	(17,544,101)	(724,348)	37,744	-	(18,230,705)
Other improvements	(53,345)	(16,978)	-	-	(70,323)
Software	(171,940)	(7,834)	115,831	-	(63,943)
Right-to-use lease asset (equipment)	-	(6,186)	-	-	(6,186)
Right-to-use subscription assets	-	(133,367)	-	-	(133,367)
Total accumulated depreciation	<u>(67,429,689)</u>	<u>(4,217,802)</u>	<u>486,436</u>	<u>-</u>	<u>(71,161,055)</u>
Total capital assets being depreciated, net	<u>73,659,686</u>	<u>3,449,602</u>	<u>(881)</u>	<u>5,743,466</u>	<u>82,851,873</u>
Water and sewer fund capital asset activities, net	<u>\$ 100,534,100</u>	<u>\$ 19,599,464</u>	<u>\$ (1,231)</u>	<u>\$ -</u>	<u>\$ 120,132,333</u>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Parking Services Fund:</b>					
Capital assets, not being depreciated					
Land	\$ 1,912,656	\$ -	\$ -	\$ -	\$ 1,912,656
Construction in progress	3,926,819	6,809,540	-	(10,736,359)	-
Total capital assets, not being depreciated	<u>5,839,475</u>	<u>6,809,540</u>	<u>-</u>	<u>(10,736,359)</u>	<u>1,912,656</u>
Capital assets, being depreciated					
Buildings	-	-	-	10,736,359	10,736,359
Machinery and equipment	-	403,937	-	-	403,937
Total capital assets, being depreciated	<u>-</u>	<u>403,937</u>	<u>-</u>	<u>10,736,359</u>	<u>11,140,296</u>
Less accumulated depreciation for:					
Buildings	-	(119,293)	-	-	(119,293)
Machinery and equipment	-	(10,081)	-	-	(10,081)
Total accumulated depreciation	<u>-</u>	<u>(129,374)</u>	<u>-</u>	<u>-</u>	<u>(129,374)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>274,563</u>	<u>-</u>	<u>10,736,359</u>	<u>11,010,922</u>
Parking Services capital asset activities, net	<u>\$ 5,839,475</u>	<u>\$ 7,084,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,923,578</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Environmental Services Fund:</b>					
Capital assets, not being depreciated					
Land	\$ 11,134	\$ -	\$ -	\$ -	\$ 11,134
Total capital assets, not being depreciated	<u>11,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,134</u>
Capital assets, being depreciated					
Machinery and equipment	2,106,745	259,055	-	-	2,365,800
Total capital assets, being depreciated	<u>2,106,745</u>	<u>259,055</u>	<u>-</u>	<u>-</u>	<u>2,365,800</u>
Less accumulated depreciation for:					
Machinery and equipment	(1,556,293)	(123,957)	-	-	(1,680,250)
Total accumulated depreciation	<u>(1,556,293)</u>	<u>(123,957)</u>	<u>-</u>	<u>-</u>	<u>(1,680,250)</u>
Total capital assets being depreciated, net	<u>550,452</u>	<u>135,098</u>	<u>-</u>	<u>-</u>	<u>685,550</u>
Environmental services fund capital asset activities, net	<u>\$ 561,586</u>	<u>\$ 135,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,684</u>
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Stormwater Fund:</b>					
Capital assets, not being depreciated					
Land	\$ 246,249	\$ 64,757	\$ -	\$ -	\$ 311,006
Construction in progress	-	24,319	-	-	24,319
Total capital assets, not being depreciated	<u>246,249</u>	<u>89,076</u>	<u>-</u>	<u>-</u>	<u>335,325</u>
Capital assets, being depreciated					
Plant and distribution systems	433,451	99,915	-	-	533,366
Machinery and equipment	342,185	221,097	-	-	563,282
Other improvements	29,473	-	-	-	29,473
Total capital assets, being depreciated	<u>805,109</u>	<u>321,012</u>	<u>-</u>	<u>-</u>	<u>1,126,121</u>
Less accumulated depreciation for:					
Plant and distribution systems	(65,923)	(16,378)	-	-	(82,301)
Machinery and equipment	(54,471)	(49,571)	-	-	(104,042)
Other improvements	(20,876)	(2,947)	-	-	(23,823)
Total accumulated depreciation	<u>(141,270)</u>	<u>(68,896)</u>	<u>-</u>	<u>-</u>	<u>(210,166)</u>
Total capital assets being depreciated, net	<u>663,839</u>	<u>252,116</u>	<u>-</u>	<u>-</u>	<u>915,955</u>
Water and sewer fund capital asset activities, net	<u>\$ 910,088</u>	<u>\$ 341,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,280</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 546,567
Public safety	1,245,772
Transportation	637,185
Economic and physical development	18,050
Culture and recreation	193,700
<b>Total depreciation expense- governmental activities</b>	<b><u>\$ 2,641,274</u></b>
Business-type activities:	
Water and sewer fund	\$ 4,217,802
Parking services fund	129,374
Environmental services fund	123,957
Stormwater fund	68,896
<b>Total depreciation expense- business-type activities</b>	<b><u>\$ 4,540,029</u></b>

Ongoing construction in progress in the City's governmental activities is primarily related to the City Hall and Operations Renovation, Fire Station One, Edwards Park, and Clear Creek Greenway projects. The City had remaining commitments on these projects in the amount of approximately \$6,100,000 as of June 30, 2023.

Ongoing construction in progress in the City's business-type activities is primarily related to the French Broad River Intake, WWTP UV Improvements, Clear Creek Interceptor, WTP Expansion, WWTF Aeration Basin, and Biosolids Dryer projects. The City had remaining commitments on these projects in the amount of approximately \$15,600,000 as of June 30, 2023.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT

Presented below is a summary of changes in long-term debt and other obligations for the City's governmental activities for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities:</b>					
Direct borrowings/placements:					
General obligation bonds:					
GORB - October 2017	\$ 694,000	\$ -	\$ (155,000)	\$ 539,000	\$ 152,000
Limited obligation bonds:					
LOBS - November 2021	3,335,000	-	(220,000)	3,115,000	225,000
Original issue premium	600,950	-	(80,295)	520,655	74,339
	<u>4,629,950</u>	<u>-</u>	<u>(455,295)</u>	<u>4,174,655</u>	<u>451,339</u>
Installment purchase contracts:					
IPC - April 2013	3,300,000	-	(300,000)	3,000,000	300,000
IPC - June 2017	457,724	-	(40,785)	416,939	41,820
IPC - June 2019	192,680	-	(95,014)	97,666	97,666
IPC - May 2021	725,277	-	(43,949)	681,328	45,042
IPC - December 2021	6,500,000	-	(157,170)	6,342,830	160,510
IPC - December 2021	5,000,000	-	(120,900)	4,879,100	123,469
IPC - February 2022	534,069	-	(149,789)	384,280	152,014
IPC - August 2022	-	396,123	(79,225)	316,898	79,225
IPC - January 2023	-	18,802,000	-	18,802,000	949,000
IPC - April 2023	-	762,000	(97,368)	664,632	181,389
IPC - May 2023	-	2,032,000	-	2,032,000	121,000
	<u>16,709,750</u>	<u>21,992,123</u>	<u>(1,084,200)</u>	<u>37,617,673</u>	<u>2,251,135</u>
Financed purchases	<u>414,802</u>	<u>-</u>	<u>(137,969)</u>	<u>276,833</u>	<u>138,025</u>
Total direct borrowings/ direct placements	21,754,502	21,992,123	(1,677,464)	42,069,161	2,840,499
Lease liabilities	-	176,053	(12,322)	163,731	33,703
Subscription liabilities	-	293,039	(101,780)	191,259	93,245
Compensated absences	1,121,124	476,574	(338,317)	1,259,381	740,617
Total OPEB liability	2,546,015	160,178	(464,374)	2,241,819	-
Net pension liability (LGERS)	1,751,465	7,479,049	(1,663,257)	7,567,257	-
Total pension liability (LEOSSA)	1,667,006	124,609	(346,421)	1,445,194	-
Governmental activity Long-term liabilities	<u>\$ 28,840,112</u>	<u>\$ 30,701,625</u>	<u>\$ (4,603,935)</u>	<u>\$ 54,937,802</u>	<u>\$ 3,708,064</u>

Resources from the General Fund and the Main Street Tax Fund have generally been used to liquidate the City's governmental activities long-term obligations.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

Presented below is a summary of changes in long-term debt and other obligations for the City's business-type activities for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type Activities:</b>					
Direct borrowings/placements:					
Revenue bonds:					
Series 2019	\$ 9,674,000	\$ -	\$ (1,219,000)	\$ 8,455,000	\$ 1,225,000
Series 2022	6,915,000	-	(299,000)	6,616,000	305,000
Series 2023	-	8,480,000	-	8,480,000	265,000
Limited obligation bonds:					
Series 2021	10,965,000	-	(375,000)	10,590,000	395,000
Original issue premium	1,687,051	-	(166,660)	1,520,391	159,492
	<u>29,241,051</u>	<u>8,480,000</u>	<u>(2,059,660)</u>	<u>35,661,391</u>	<u>2,349,492</u>
State revolving loans:					
SRF - May 2011	257,302	-	(28,589)	228,713	28,589
SRF - June 2015	1,179,750	-	(90,750)	1,089,000	90,750
SRF - July 2015	2,821,390	-	(217,030)	2,604,360	217,030
SRF - March 2016	1,810,225	-	(139,248)	1,670,977	139,248
SRF - June 2020 (Streambank)	2,803,253	9,548	(148,042)	2,664,759	148,042
SRF - June 2020 (Northside)	4,821,584	120,381	(268,547)	4,673,418	268,547
SRF - June 2022 (Fr. Broad)	2,215,913	11,316,533	-	13,532,446	1,225,701
	<u>15,909,417</u>	<u>11,446,462</u>	<u>(892,206)</u>	<u>26,463,673</u>	<u>2,117,907</u>
Installment purchase contracts:					
IPC - June 2020	340,878	-	(65,617)	275,261	66,872
IPC - February 2022	409,113	-	(56,360)	352,753	56,204
IPC - May 2023	-	4,016,000	-	4,016,000	238,000
IPC - May 2023	-	377,000	-	377,000	22,000
	<u>749,991</u>	<u>4,393,000</u>	<u>(121,977)</u>	<u>5,021,014</u>	<u>383,076</u>
Financed purchases	<u>84,425</u>	<u>-</u>	<u>(24,905)</u>	<u>59,520</u>	<u>26,086</u>
Total direct borrowings/ direct placements	45,984,884	24,319,462	(3,098,748)	67,205,598	4,876,561
Lease liabilities	-	67,521	(5,288)	62,233	12,934
Subscription liabilities	-	552,070	(118,693)	433,377	107,053
Compensated absences	729,814	402,783	(369,431)	763,166	399,789
Total OPEB liability	1,901,173	117,330	(376,367)	1,642,136	-
Net pension liability (LGERS)	1,308,060	5,479,949	(1,243,429)	5,544,580	-
Business-type activity					
Long-term liabilities	<u>\$ 49,923,931</u>	<u>\$ 30,939,115</u>	<u>\$ (5,211,956)</u>	<u>\$ 75,651,090</u>	<u>\$ 5,396,337</u>

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. LONG-TERM DEBT (CONTINUED)

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

Details on the City's outstanding long-term debt as of June 30, 2023, are as follows:

#### **General Obligation Refunding Bonds**

\$1,352,000 General Obligation Refunding Bonds, Series 2017 issued in October 2017, due in annual installments of \$9,000 to \$166,000 beginning March 1, 2018 through March 1, 2027, plus interest of 2.02% due semiannually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008. As of June 30, 2023, the outstanding balance of these bonds is \$539,000.

#### **Limited Obligation Bonds**

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$85,000 to \$230,000 beginning June 1, 2022 through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's governmental activities, the proceeds from the bonds were used to (1) retire a previously outstanding installment purchase contract and (2) provide funds for a streetscape project. As of June 30, 2023, the outstanding balance of the portion of these bonds allocated to governmental activities is \$3,115,000.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity on the City's outstanding bond debt for governmental activities is as follows:

	Principal	Interest	Total
<b>Year ending June 30:</b>			
2024	\$ 377,000	\$ 148,638	\$ 525,638
2025	374,000	134,317	508,317
2026	371,000	120,058	491,058
2027	317,000	105,858	422,858
2028	230,000	92,750	322,750
2029-2033	1,160,000	292,850	1,452,850
2034-2038	570,000	84,850	654,850
2039-2041	255,000	15,300	270,300
Total	\$ 3,654,000	\$ 994,621	\$ 4,648,621

#### Revenue Bonds

\$12,897,000 Water and Sewer Revenue Bond issued in December 2019, due in annual installments of \$477,000 to \$1,238,000 beginning on June 1, 2020 through June 1, 2034, plus interest at 1.87% due semiannually. The proceeds of this issue were used for water/sewer system improvements and equipment and to current refund a previously outstanding installment purchase contract. As of June 30, 2023, the outstanding balance of these bonds is \$8,455,000.

\$6,915,000 Water and Sewer Revenue Bond issued in February 2022, due in annual installments of \$299,000 to \$438,000 beginning on June 1, 2023 through June 1, 2041, plus interest at 2.15% due semiannually. The proceeds of this issue are being used for water/sewer system improvement projects and the acquisition of equipment. As of June 30, 2023, the outstanding balance of these bonds is \$6,616,000.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Limited Obligation Bonds

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$375,000 to \$780,000 beginning June 1, 2023 through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's Parking Services Fund, the proceeds from the bonds were used for the construction of a parking deck and related facilities in downtown Hendersonville. As of June 30, 2023, the outstanding balance of the portion of these bonds allocated to the Parking Services Fund is \$10,590,000.

The debt service to maturity on the City's outstanding bond debt for business-type activities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year ending June 30:</b>			
2024	\$ 2,190,000	\$ 1,079,261	\$ 3,269,261
2025	2,246,000	998,581	3,244,581
2026	2,294,000	936,513	3,230,513
2027	2,339,000	872,487	3,211,487
2028	1,618,000	806,695	2,424,695
2029-2033	8,929,000	3,198,202	12,127,202
2034-2038	8,166,000	1,793,574	9,959,574
2039-2043	6,359,000	538,984	6,897,984
Total	<u>\$ 34,141,000</u>	<u>\$ 10,224,297</u>	<u>\$ 44,365,297</u>

#### Revenue Bond Rate Covenant

The City is in compliance with the rate covenant per Section 6.6 of the General Indenture, authorizing the issuance of the Revenue Bond, Series 2019. Section 6.6 of the General Indenture requires (a) revenues, together with 20% of the balance in the surplus fund at the end of the preceding fiscal year, at least equal (i) 100% of current expenses plus (ii) 120% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness and (b) revenues at least equal (i) 100% of current expenses plus (ii) 110% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness. The rate covenant calculation for the year ended June 30, 2023, is shown in the table on the next page.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Revenue Bond Rate Covenant (Continued)

Water and Sewer Fund	
Revenues (1)	\$ 22,512,835
Current expenses (2)	18,658,535
Surplus Fund (3)	6,040,576
Principal and interest on revenue bond	1,847,576
Principal and interest on other indebtedness	1,218,519
(a) Revenues plus 20% of Surplus Fund	23,720,950
(a)(i) 100% of current expenses	18,658,535
(a)(ii) 120% of annual principal and interest on revenue bond	2,217,091
(a)(iii) 100% of annual principal and interest on other indebtedness	1,218,519
	22,094,145
<b>Covenant met</b>	<b>\$ 1,626,805</b>
(b) Revenues	\$ 22,512,835
(b)(i) 100% of current expenses	18,658,535
(b)(ii) 110% of annual principal and interest on revenue bond	2,032,334
(b)(iii) 100% of annual principal and interest on other indebtedness	1,218,519
	21,909,388
<b>Covenant met</b>	<b>\$ 603,447</b>

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

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

(3) This is the June 30, 2022, unrestricted cash and investment balance.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Installment Purchase Contracts

	Balance as of June 30, 2023
\$6,000,000 Installment Purchase Contract with Truist (formerly BB&T) issued in April 2013 (IPC - April 2013), due in semi-annual installments of \$150,000 beginning on October 5, 2013 through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.	\$ 3,000,000
\$242,500 Installment Purchase Contract with Entegra issued in June 2017 (IPC - June 2017), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.	416,939
\$465,100 Installment Purchase Contract with Pinnacle issued in June 2019 (IPC - June 2019), due in semi-annual installments of \$44,117 to \$49,347 beginning December 3, 2019 through June 3, 2024, plus interest at 2.25% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment.	97,666
\$468,439 Installment Purchase Contract with US Bank in June 2020 (IPC - June 2020), due in annual installments of \$45,034 to \$48,696 beginning December 19, 2020 through December 19, 2025, plus interest at 1.90% due semi-annually. The proceeds of this issue were used to purchase three freightliner street sweepers.	275,261
\$768,161 Installment Purchase Contract with Wells Fargo issued in May 2021 (IPC - May 2021), due in annual installments of \$61,595 beginning November 5, 2021 through May 5, 2036, plus interest at 2.47% due semi-annually. The proceeds of this issue were used to purchase a fire truck and related equipment.	681,328
\$1,019,070 Installment Purchase Contract with Santander Bank issued in February 2022 (IPC - February 2022), due in annual installments of \$78,570 beginning June 15, 2022 through December 15, 2025, plus interest at 1.48% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment and were shared by the City's governmental (60%) and business-type activities (40%).	737,033
\$6,500,000 and \$5,000,000 Installment Purchase Contracts with the United States Department of Agriculture issued in December 2021. The IPCs provide permanent financing for the City's construction of the new police station and related public safety equipment. Both IPCs bear interest at 2.125% and are due in annual installments of principal and interest beginning in December 2022 until maturity in December 2051.	11,221,930

(Continued)

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Installment Purchase Contracts (Continued)

<p>\$6,425,000 Installment Purchase Contract with JP Morgan issued in May 2023 (IPC - May 2023), due in annual installments of \$381,000 to \$497,000 beginning April 1, 2024 through April 1, 2038, plus interest at 3.29% due semi-annually. The proceeds of this issue were used to renovate City Hall and were shared by the City's governmental (32%) and business-type activities (68%).</p>	\$ 6,425,000
<p>\$762,000 Installment Purchase Contract with Hometrust Bank issued in April 2023 (IPC - April 2023), due in annual installments of \$102,004 beginning June 27, 2023 through December 27, 2026, plus interest at 3.65% due semi-annually. The proceeds of this issue were used to purchase vehicles for the City's use.</p>	664,632
<p>\$396,127 Installment Purchase Contract with Motorola issued in August 2022 (IPC - August 2022), due in annual installments of \$79,225 beginning February 1, 2023 through February 1, 2027. The proceeds of this issue were used for Police Body Cams.</p>	316,898
<p>\$18,802,000 Installment Purchase Contract with Truist Commercial Equity issued in October 2022 (IPC - October 2022), due in annual installments of \$823,000 to \$1,012,000 beginning April 1st, 2024 through April 1st, 2043, plus interest at 2.99% due semi-annually. The proceeds of this issue were used for the fire station construction project and Edwards Park mini golf course.</p>	18,802,000
Total outstanding installment purchase contracts	\$ 42,638,687

The City's debt service to maturity on its installment purchase contracts is as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,251,135	\$ 966,728	\$ 3,217,863	\$ 383,076	\$ 139,057	\$ 522,133
2025	2,169,962	918,622	3,088,584	380,366	144,674	525,040
2026	2,117,658	862,818	2,980,476	388,700	133,952	522,652
2027	1,958,430	808,687	2,767,117	397,075	122,989	520,064
2028	1,795,806	760,140	2,555,946	333,357	112,126	445,483
2029-2033	9,172,163	3,086,178	12,258,341	1,515,440	413,458	1,928,898
2034-2038	7,765,666	1,934,149	9,699,815	1,623,000	162,658	1,785,658
2039-2043	6,148,314	951,146	7,099,460	-	-	-
2044-2048	2,255,497	356,728	2,612,225	-	-	-
2049-2052	1,983,042	106,571	2,089,613	-	-	-
<b>Total</b>	\$ 37,617,673	\$ 10,751,767	\$ 48,369,440	\$ 5,021,014	\$ 1,228,914	\$ 6,249,928



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### State Revolving Loans

	Balance as of June 30, 2023
\$571,781 State Revolving Loan finalized in May 2011 (SRF - May 2011), due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	\$ 228,713
\$1,815,000 State Revolving Loan finalized in June 2015 (SRF - June 2015), due in annual installments of \$90,750 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek sewer project.	1,089,000
\$4,340,600 State Revolving Loan finalized in July 2015 (SRF - July 2015), due in annual installments of \$217,030 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Jackson Creek sewer project.	2,604,360
\$3,000,000 State Revolving Loan finalized in March 2016 (SRF - March 2016), due in annual installments of \$139,248 beginning on May 1, 2016, through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek water/sewer system improvements.	1,670,977
\$2,982,484 approved State Revolving Loan finalized in June 2022 (SRF - June 2020 - Streambank). The loan is due in annual installments of \$149,124 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue were used for the Streambank Restoration project.	2,664,759
\$5,370,932 approved State Revolving Loan finalized in June 2022 (SRF - June 2020 - Northside). The loan is due in annual installments of \$268,547 beginning on May 1, 2022 through May 1, 2041, with no interest. The proceeds of this issue were used for the Northside Water System project.	4,673,418
\$24,514,035 approved State Revolving Loan of which only \$13,532,446 has been drawn down through June 2023 (SRF - July 2022 - French Broad). Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2022 through May 1, 2043, with no interest. The proceeds of this issue are being used for the French Broad project.	13,532,446
Total outstanding state revolving loans	\$ 26,463,673

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### State Revolving Loans (Continued)

The City's debt service to maturity on the state revolving loans is as follows:

Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 2,117,907	\$ 402,216	\$ 2,520,123
2025	2,117,907	401,661	2,519,568
2026	2,117,907	375,961	2,493,868
2027	2,117,907	350,261	2,468,168
2028	2,117,907	324,561	2,442,468
2029-2033	9,356,385	1,238,014	10,594,399
2034-2038	5,428,404	635,807	6,064,211
2039-2043	1,089,349	211,028	1,300,377
<b>Total</b>	<b>\$ 26,463,673</b>	<b>\$ 3,939,509</b>	<b>\$ 30,403,182</b>

#### Financed Purchases

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

Debt service to maturity on the City's financed purchases is as follows:

Year ending June 30,	<b>Governmental</b>	<b>Business-type</b>
2024	\$ 138,025	\$ 26,086
2025	115,349	26,127
2026	23,459	7,307
Total minimum lease payments	276,833	59,520
Less: amounts representing interest	-	-
Total payments on financed purchases	<b>\$ 276,833</b>	<b>\$ 59,520</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Leases Payable

In January 2023, the City entered into a 60-month lease as lessee for the right to use office equipment. An initial lease liability was recorded in the amount of \$135,042. As of year-end, the value of the lease liability is \$124,466. The City is required to make monthly fixed payments of \$2,408. The lease has an interest rate of 2.6820%. The value of the right-to-use asset (equipment) as of year-end is \$135,042 with accumulated amortization of \$12,372. This lease was split between the City's governmental activities and the Water and Sewer Fund (business-type activities).

In March 2023, the City entered into a 60-month lease as lessee for the right to use equipment. An initial lease liability was recorded in the amount of \$108,532. As of year-end, the value of the lease liability is \$101,497. The City is required to make monthly fixed payments of \$1,922. The lease has an interest rate of 2.4890%. The value of the right-to-use asset (equipment) as of year-end is \$108,532 with accumulated amortization of \$6,391.

Future payments to maturity on the City's outstanding lease liabilities are as follows:

Year Ending June 30,	<b>Governmental Activities</b>		
	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2024	\$ 33,703	\$ 3,801	\$ 37,504
2025	34,577	2,927	37,504
2026	35,474	2,030	37,504
2027	36,394	1,110	37,504
2028	23,583	217	23,800
<b>Total</b>	<b>\$ 163,731</b>	<b>\$ 10,085</b>	<b>\$ 173,816</b>

Year Ending June 30,	<b>Business- type Activities</b>		
	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2024	\$ 12,934	\$ 1,511	\$ 14,445
2025	13,285	1,160	14,445
2026	13,646	799	14,445
2027	14,016	428	14,444
2028	8,352	75	8,427
<b>Total</b>	<b>\$ 62,233</b>	<b>\$ 3,973</b>	<b>\$ 66,206</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Subscription-Based Information Technology Arrangements (SBITAs)

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. The City's subscription assets are reported within the applicable governmental or business-type activities capital asset roll-forwards in Note 5. A summary of the outstanding subscription-based information technology arrangements (SBITAs) and the payments required to maturity are summarized below.

<u>SBITA Term</u>	<u>Payment Terms</u>	<u>Interest Rate</u>	<u>Asset Amount</u>	<u>Accumulated Amortization</u>
90 months	\$51,350 / yearly	2.1840%	\$ 422,473	\$ 55,731
20 months	\$35,967 / quarterly	2.0240%	259,220	155,272
60 months	\$34,438 / yearly	2.6820%	163,425	13,619
			<u>\$ 845,118</u>	<u>\$ 224,622</u>

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 93,245	\$ 4,091	\$ 97,336
2025	31,809	2,629	34,438
2026	32,665	1,776	34,441
2027	33,540	900	34,440
<b>Total</b>	<u>\$ 191,259</u>	<u>\$ 9,396</u>	<u>\$ 200,655</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 107,053	\$ 8,736	\$ 115,789
2025	47,350	7,127	54,477
2026	50,019	6,093	56,112
2027	52,795	5,001	57,796
2028	55,682	3,848	59,530
2029-2030	120,478	3,981	124,459
<b>Total</b>	<u>\$ 433,377</u>	<u>\$ 34,786</u>	<u>\$ 468,163</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND BALANCES AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Parking Services Fund	\$ 412,129
General Fund	Nonmajor Enterprise Funds	263,087

The Parking Services Fund owes the General Fund for providing cash resources upfront to help pay the parking services fund expenditures as the new fund started. The amount owed to the General Fund by the Parking Services Fund in FY24, as the parking deck started generating revenue in March of 2023. The Nonmajor Enterprise funds owe the General Fund for providing cash resources upfront for various expenditures such as Stormwater capital projects and environmental services projects. These receivables are budgeted for in FY24 and will be paid within the next year.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Capital Projects Fund	General Fund	\$ 562,004
General Fund	Grants Fund	\$ 4,555,606
Parking Services Fund	General Fund	\$ 202,253
Special Revenue Fund	General Fund	\$ 400,000
Water and Sewer Capital Project Fund	Special Revenue Fund	\$ 400,000
Grants Fund	General Fund	\$ 537,691
Governmental Capital Projects Fund	Water and Sewer Fund	\$ 4,016,000
Governmental Capital Projects Fund	Stormwater Fund	\$ 377,000
Water and Sewer Fund	General Fund	\$ 25,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also moved to the funds that are bearing the cost of long-term capital projects in accordance with the project authorization(s).

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS

The City's employees participate in two (2) separate defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS) and the Law Enforcement Officers' Special Separation Allowance (LEOSSA). The table below summarizes the deferred outflows of resources, deferred inflows of resources, and pension expense for each plan:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>	<b>Pension Expense</b>
Local Governmental Employees' Retirement System	\$ 9,001,243	\$ 179,248	\$ 3,764,436
Law Enforcement Officers' Special Separation Allowance	316,813	276,261	154,710
Total for All Pension Plans	\$ 9,318,056	\$ 455,509	\$ 3,919,146

#### A. Local Governmental Employees' Retirement System

**Plan Description.** The City is a participating employer in the statewide 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 LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2023, was 13.24% of compensation for law enforcement officers and 12.14% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$2,388,223 for the year ended June 30, 2023.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**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, 2023, the City reported a liability of \$13,111,837 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (the measurement date), the City's proportion was 0.23242%, which was an increase of 0.03292% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$3,764,436. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 564,976	\$ 55,393
Changes in plan assumptions	1,308,264	-
Net difference between projected and actual earnings on pension plan investments	4,333,589	-
Changes in proportion and differences between City contributions and proportionate share of contributions	406,191	123,855
City contributions subsequent to the measurement date	2,388,223	-
Total	\$ 9,001,243	\$ 179,248



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

##### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

City contributions made subsequent to the measurement date of \$2,388,223 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2024	\$ 1,974,268
2025	1,771,676
2026	623,225
2027	2,064,603
Total	<u>\$ 6,433,772</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions (Continued).** 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, 2022, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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 2.50%. All rates of return and inflation are annualized.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Decrease (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 23,665,123	\$ 13,111,837	\$ 4,415,262

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

#### B. Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The City administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least thirty years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 June 30, 2021, the date of the most recent actuarial valuation, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	42
Total	46

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers' Special Separation Allowance (Continued)

**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 criteria which are outlined in GASB Statement 73.

**Actuarial Assumptions.** The entry age actuarial cost method was used in the June 30, 2021, valuation. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.05 percent

The discount rate used to measure the total pension liability is the Bond Buyer 20-Bond GO index. Since the prior measurement date, the discount rate has changed from 2.06% to 4.05% due to a change in the index.

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study completed by the actuary for the LGERS for the five-year period ending December 31, 2019.

**Contributions.** The City is required by Article 12D of G.S. 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. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$75,285 as benefits came due for the reporting period.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers' Special Separation Allowance (Continued)

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

At June 30, 2023, the City reported a total pension liability of \$1,445,194. The total pension liability was measured as of December 31, 2022, based on a June 30, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$154,710.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 244,730	\$ 225,617
Differences between expected and actual experience	24,843	50,644
City benefit payments made subsequent to the measurement date	47,240	-
Total	\$ 316,813	\$ 276,261

Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

<b>Year Ending June 30:</b>	
2024	\$ 26,515
2025	20,051
2026	11,933
2027	(45,106)
2028	(20,081)
Total	\$ (6,688)

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers' Special Separation Allowance (Continued)

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

**Changes in the Total Pension Liability.** The changes in the total pension liability of the City for the fiscal year ended June 30, 2023, were as follows:

	<b>Total Pension Liability</b>
<b>Beginning Balance</b>	\$ 1,667,006
<b>Changes for the year:</b>	
Service cost	91,225
Interest	33,384
Differences between expensed and actual experience	(17,516)
Changes in assumptions or other inputs	(253,620)
Benefit payments	(75,285)
<b>Ending Balance</b>	\$ 1,445,194

The required schedule of changes in the City's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

**Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.** The following presents the City's total pension liability calculated using the discount rate of 4.05 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05 percent) or 1-percentage-point higher (5.05 percent) than the current rate:

	<b>1% Decrease (3.05%)</b>	<b>Discount Rate (4.05%)</b>	<b>1% Increase (5.05%)</b>
Total pension liability	\$ 1,569,900	\$ 1,445,194	\$ 1,332,524

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### C. Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the state of North Carolina. The State’s ACFR 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. The City’s law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023, were \$149,566, all of which were paid by the City.

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Plan Description (Continued)

As of June 30, 2021, the last actuarial valuation, the following members were covered by the HCB Plan's benefit terms:

Active participants	231
Retirees and beneficiaries currently receiving benefits	<u>16</u>
Total	<u><u>247</u></u>

#### Contributions

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. For the fiscal year ended June 30, 2023, the monthly premium for retirees was \$1,161 for the PPO plan and \$1,069 for the HSA plan. The City's retirees may continue with dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

During the year ended June 30, 2023, the City made contributions/benefit payments of approximately \$172,700. The City provides healthcare coverage by paying a premium to the North Carolina League of Municipalities Health Benefits Trust. The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

#### Actuarial Assumptions and Other Inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2023, and the current sharing pattern of costs between employer and inactive employees.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Actuarial Assumptions and Other Inputs (Continued)

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	2.50%
Real wage growth	3.25%
Annual rates of salary increases	3.25% to 8.25%, including inflation
Municipal bond index rate	
Prior measurement date	2.16%
Measurement date	3.69%
Health care cost trends	
Pre-medicare	4.50% - 7.50%, Ultimate Trend in 2028
Medicare	4.50% - 7.50%, Ultimate Trend in 2028
Participation rates	100% of eligible retirees elect to receive coverage

Pursuant to GASB Statement No. 75, for unfunded plans the discount rate should be a yield or index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark and that index was 3.69% on June 30, 2022.

Changes in assumption and other inputs include (1) a change in the discount rate from 2.16% to 3.69%; (2) an update to the medical trend rate; and (3) adopting the recommendations from the 2019 experience study for the LGERS pension plan.

#### Changes in the Total OPEB Liability

The changes in the total OPEB liability for the City for the fiscal year ended June 30, 2023, were as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2022	\$ 4,447,188
Service Cost	183,931
Interest	93,577
Assumption changes	(610,867)
Experience differences	-
Benefit payments	(229,874)
Balance at June 30, 2023	<u>\$ 3,883,955</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Sensitivity for the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69 percent) or 1-percentage-point higher (4.69) than the current discount rate:

	<b>1% Decrease (2.69%)</b>	<b>Current Discount Rate (3.69%)</b>	<b>1% Increase (4.69%)</b>
Total OPEB liability	\$ 4,286,344	\$ 3,883,955	\$ 3,529,940

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Total OPEB liability	\$ 3,473,774	\$ 3,883,955	\$ 4,382,911

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$298,116. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 440,511	\$ 28,581
Changes in plan assumptions	515,137	651,752
City contributions subsequent to the measurement date	172,700	-
Total	\$ 1,128,348	\$ 680,333

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

City contributions made subsequent to the measurement date of \$172,700 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$ 77,484
2025	77,484
2026	77,484
2027	77,484
2028	84,209
Thereafter	(118,830)
	<u>\$ 275,315</u>

### NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this insurance program, the City has general liability coverage of \$2 million and auto liability coverage of \$1 million per occurrence; property coverage up to \$102 million blanket coverage; Law Enforcement Liability Insurance of \$1 million and \$3 million, respectively; and Public Officials Liability Insurance of \$2 million and \$3 million, respectively. The City also carries worker's compensation coverage up to statutory limits.

The City carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. 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.

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. RISK MANAGEMENT (CONTINUED)**

The City provides health insurance coverage for employees and their families through a self-insurance plan, administered by MedCost Benefit Services. The plan provides for monthly payment of claims by the City, subject to certain deductible and co-payments, and a maximum annual claims exposure to the City of \$10,000 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General Fund, the Environmental Services Fund, and the Water and Sewer Fund, according to the function of the employees and retirees. Payments of claim expenses up to the annual limit are accounted for the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as expenditures/expenses in the funds.

### **NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES**

#### **Litigation:**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

#### **Grant Contingencies:**

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

### **NOTE 12. JOINT ACTIVITIES, JOINTLY GOVERNED ORGANIZATIONS, AND RELATED ORGANIZATIONS**

#### **Joint Activities:**

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 12. JOINT ACTIVITIES, JOINTLY GOVERNED ORGANIZATIONS, AND RELATED ORGANIZATIONS (CONTINUED)**

#### **Jointly Governed Organization:**

Land of Sky Regional Council – The City, in conjunction with Buncombe, Henderson, Madison, and Transylvania counties (and the other municipalities contained therein), established the Land of Sky Regional Council (the “Council”). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board and the City pays membership and administrative fees to the Council.

#### **Related Organizations**

The seven-member Board of Commissioners of the Hendersonville Housing Authority (the “Housing Authority”) is appointed by the Mayor of the City. The City is accountable for the Authority because it appoints the governing board; however, the City is not financially accountable. Complete financial statements for the Housing Authority can be obtained from the Housing Authority’s offices at 203 North Justice Street, Hendersonville, North Carolina 28739.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAST SEVEN FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability, beginning balance	\$ 1,667,006	\$ 1,619,778	\$ 1,193,484	\$ 1,069,048
Service cost	91,225	89,032	61,387	60,562
Interest on the total pension liability	33,384	30,716	37,986	38,281
Difference between expected and actual experience	(17,516)	1,768	(70,177)	24,162
Changes of assumptions or other inputs	(253,620)	(17,720)	453,666	36,179
Benefit payments	<u>(75,285)</u>	<u>(56,568)</u>	<u>(56,568)</u>	<u>(34,748)</u>
Total pension liability, ending balance	<u>\$ 1,445,194</u>	<u>\$ 1,667,006</u>	<u>\$ 1,619,778</u>	<u>\$ 1,193,484</u>

Note 1: The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Note 2: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 970,249	\$ 880,684	\$ 869,979
62,891	50,871	49,449
30,114	33,536	30,213
83,614	(39,137)	-
(43,296)	68,066	(21,588)
<u>(34,524)</u>	<u>(23,771)</u>	<u>(47,369)</u>
<u>\$ 1,069,048</u>	<u>\$ 970,249</u>	<u>\$ 880,684</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAST SEVEN FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 1,445,194	\$ 1,667,006	\$ 1,619,778	\$ 1,193,484
City's covered-employee payroll	\$ 2,023,715	\$ 2,023,715	\$ 2,307,729	\$ 2,386,117
Total pension liability as a percentage of covered-employee payroll	71.41%	82.37%	70.19%	50.02%

Note 1: The City has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note 2: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 1,069,048	\$ 970,249	\$ 880,684
\$ 2,282,787	\$ 2,160,041	\$ 2,069,581
46.83%	44.92%	42.55%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST TEN FISCAL YEARS**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability (asset) (%)	0.23242%	0.19950%	0.20052%	0.20183%
City's proportion of the net pension liability (asset) (\$)	\$ 13,111,837	\$ 3,059,525	\$ 7,165,434	\$ 5,511,820
City's covered payroll	\$ 15,958,730	\$ 13,776,001	\$ 12,974,903	\$ 12,439,887
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	82.16%	22.21%	55.23%	44.31%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	95.51%	88.61%	91.63%

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

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<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.19549%	0.18539%	0.17432%	0.17693%	0.13025%	0.12900%
\$ 4,637,691	\$ 2,832,246	\$ 3,699,654	\$ 794,051	\$ (768,146)	\$ 1,554,945
\$ 11,705,774	\$ 10,505,338	\$ 10,120,748	\$ 9,515,789	\$ 8,378,808	\$ 7,471,416
39.62%	26.96%	36.56%	8.34%	( 9.17%)	20.81%
94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF CITY CONTRIBUTIONS**

**LAST TEN FISCAL YEARS**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 2,388,223	\$ 1,840,893	\$ 1,419,767	\$ 1,184,667
Contributions in relation to the actuarially determined contribution	<u>2,388,223</u>	<u>1,840,893</u>	<u>1,419,767</u>	<u>1,184,667</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,451,621	\$ 15,958,730	\$ 13,776,001	\$ 12,974,903
Contributions as a percentage of covered payroll	12.28%	11.54%	10.31%	9.13%

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 987,487	\$ 901,020	\$ 783,926	\$ 691,249	\$ 679,268	\$ 598,874
987,487	901,020	783,926	691,249	679,268	598,874
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 12,439,887	\$ 11,705,774	\$ 10,505,338	\$ 10,120,748	\$ 9,515,789	\$ 8,378,808
7.94%	7.70%	7.46%	6.83%	7.14%	7.15%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
OPEB RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 183,931	\$ 238,811	\$ 170,370	\$ 123,683
Interest on total OPEB liability	93,577	96,612	131,176	105,858
Difference between expected and actual experience	-	(36,747)	-	772,971
Changes of assumptions and other inputs	(610,867)	(86,726)	573,183	222,593
Benefit payments	<u>(229,874)</u>	<u>(272,702)</u>	<u>(229,373)</u>	<u>(195,743)</u>
<b>Net change in total OPEB liability</b>	<b>(563,233)</b>	<b>(60,752)</b>	<b>645,356</b>	<b>1,029,362</b>
<b>Total OPEB liability - beginning</b>	<b><u>4,447,188</u></b>	<b><u>4,507,940</u></b>	<b><u>3,862,584</u></b>	<b><u>2,833,222</u></b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 3,883,955</u></b>	<b><u>\$ 4,447,188</u></b>	<b><u>\$ 4,507,940</u></b>	<b><u>\$ 3,862,584</u></b>
<b>Covered-employee payroll</b>	<b>\$ 11,014,264</b>	<b>\$ 11,014,264</b>	<b>\$ 12,405,563</b>	<b>\$ 12,405,563</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>35.3%</b>	<b>40.4%</b>	<b>36.3%</b>	<b>31.1%</b>

**Notes to the Schedule:**

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

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

	<u>2019</u>	<u>2018</u>
\$	129,414	\$ 124,941
	100,620	99,943
	-	-
	(89,335)	-
	<u>(236,193)</u>	<u>(175,737)</u>
	(95,494)	49,147
	<u>2,928,716</u>	<u>2,879,569</u>
\$	<u><u>2,833,222</u></u>	<u><u>\$ 2,928,716</u></u>
\$	10,236,625	\$ 10,236,625
	27.7%	28.6%



## **GENERAL FUND**

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 11,468,868	\$ 11,773,668	\$ 12,000,603	\$ 226,935
Penalties and interest	1,000	21,040	26,488	5,448
Total ad valorem taxes	<u>11,469,868</u>	<u>11,794,708</u>	<u>12,027,091</u>	<u>232,383</u>
Other taxes and licenses:				
Beer and wine	2,000	3,720	3,689	(31)
Local vehicle rental tax	7,000	7,000	8,395	1,395
Total other taxes and licenses	<u>9,000</u>	<u>10,720</u>	<u>12,084</u>	<u>1,364</u>
Unrestricted intergovernmental revenue:				
Local option sales taxes	5,008,500	5,663,267	5,529,203	(134,064)
Payment in lieu of taxes (external sources)	71,346	71,346	71,346	-
Utility sales tax	996,000	996,000	1,127,372	131,372
Telecommunications sales tax	125,000	125,000	118,088	(6,912)
Video franchise fee	98,500	98,500	101,551	3,051
Beer and wine tax	60,000	72,330	72,332	2
ABC profit distribution	332,500	332,500	367,500	35,000
Court fees	2,500	5,530	6,214	684
Total unrestricted intergovernmental	<u>6,694,346</u>	<u>7,364,473</u>	<u>7,393,606</u>	<u>29,133</u>
Restricted intergovernmental revenue:				
Powell bill allocation	467,859	467,859	459,284	(8,575)
ABC revenue for law enforcement	40,000	40,000	40,000	-
On-behalf payments - fire and rescue	-	-	87,241	87,241
School resource officer reimbursement	249,920	278,800	293,418	14,618
Other grant revenues	-	6,400	11,448	5,048
Total restricted intergovernmental	<u>757,779</u>	<u>793,059</u>	<u>891,391</u>	<u>98,332</u>
Permits and fees:				
Building permits and inspection fees	218,250	228,770	214,950	(13,820)
Business registration fees	1,000	-	-	-
Special project fees	16,350	21,975	23,927	1,952
Motor vehicle fees	200,000	200,000	220,080	20,080
Total permits and fees	<u>435,600</u>	<u>450,745</u>	<u>458,957</u>	<u>8,212</u>
Sales and services:				
Facility rent	47,600	31,375	35,713	4,338
Recreation fees	18,500	17,930	17,935	5
Paving cut repair fees	-	300,000	271,432	(28,568)
Cemetery fees	20,000	24,500	27,000	2,500
Total sales and services	<u>86,100</u>	<u>373,805</u>	<u>352,080</u>	<u>(21,725)</u>
Investment earnings	<u>175,000</u>	<u>232,760</u>	<u>281,089</u>	<u>48,329</u>
Miscellaneous revenues:				
Miscellaneous	313,000	203,297	164,756	(38,541)
Total miscellaneous revenues	<u>313,000</u>	<u>203,297</u>	<u>164,756</u>	<u>(38,541)</u>
Total revenues	<u>19,940,693</u>	<u>21,223,567</u>	<u>21,581,054</u>	<u>357,487</u>

(continued)

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and employee benefits	\$ 49,148	\$ 49,148	\$ 35,016	\$ 14,132
Operating expenditures	78,100	41,319	40,452	867
Special appropriations	354,518	354,518	349,518	5,000
Total governing body	<u>481,766</u>	<u>444,985</u>	<u>424,986</u>	<u>19,999</u>
Administration:				
Salaries and employee benefits	749,684	760,688	724,203	36,485
Operating expenditures	523,975	899,412	872,388	27,024
Health and wellness allocation	179,785	197,785	197,785	-
Capital outlay	-	183,500	120,983	62,517
Total administration	<u>1,453,444</u>	<u>2,041,385</u>	<u>1,915,359</u>	<u>126,026</u>
Finance:				
Salaries and employee benefits	380,911	381,231	345,679	35,552
Operating expenditures	240,905	194,915	154,546	40,369
Total finance	<u>621,816</u>	<u>576,146</u>	<u>500,225</u>	<u>75,921</u>
City engineer:				
Salaries and employee benefits	325,833	325,933	305,721	20,212
Operating expenditures	98,200	98,435	72,418	26,017
Total city engineer	<u>424,033</u>	<u>424,368</u>	<u>378,139</u>	<u>46,229</u>
Information technology:				
Salaries and employee benefits	70,021	40,116	35,487	4,629
Operating expenditures	692,150	676,845	643,205	33,640
Capital outlay	-	197,132	197,131	1
Total information technology	<u>762,171</u>	<u>914,093</u>	<u>875,823</u>	<u>38,270</u>
Legal department:				
Salaries and employee benefits	169,715	170,725	162,314	8,411
Operating expenditures	34,275	112,645	48,631	64,014
Total legal department	<u>203,990</u>	<u>283,370</u>	<u>210,945</u>	<u>72,425</u>
Fleet maintenance:				
Salaries and employee benefits	305,471	302,639	297,600	5,039
Operating expenditures	185,915	144,345	111,749	32,596
Capital outlay	112,000	157,711	157,681	30
Total fleet maintenance	<u>603,386</u>	<u>604,695</u>	<u>567,030</u>	<u>37,665</u>
Building maintenance:				
Salaries and employee benefits	168,497	170,197	144,660	25,537
Operating expenditures	309,278	285,576	271,947	13,629
Capital outlay	80,000	87,000	77,990	9,010
Total building maintenance	<u>557,775</u>	<u>542,773</u>	<u>494,597</u>	<u>48,176</u>
Total general government	<u>5,108,381</u>	<u>5,831,815</u>	<u>5,367,104</u>	<u>464,711</u>
Public safety:				
Police:				
Salaries and employee benefits	5,228,615	5,537,746	5,389,685	148,061
Operating expenditures	935,497	1,022,075	946,116	75,959
Capital outlay	563,700	652,115	570,548	81,567
Total police	<u>6,727,812</u>	<u>7,211,936</u>	<u>6,906,349</u>	<u>305,587</u>

(continued)

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
Public safety (Continued):				
Fire:				
Salaries and employee benefits	\$ 3,451,554	\$ 3,734,953	\$ 3,732,973	\$ 1,980
Operating expenditures	620,850	640,304	619,450	20,854
Capital outlay	234,500	216,855	209,366	7,489
On-behalf payments (Firefighter's Relief Fund)	-	-	87,241	(87,241)
Total fire	<u>4,306,904</u>	<u>4,592,112</u>	<u>4,649,030</u>	<u>(56,918)</u>
Development assistance:				
Salaries and employee benefits	578,903	580,723	574,477	6,246
Operating expenditures	138,807	229,677	128,445	101,232
Total development assistance	<u>717,710</u>	<u>810,400</u>	<u>702,922</u>	<u>107,478</u>
Total public safety	<u>11,752,426</u>	<u>12,614,448</u>	<u>12,258,301</u>	<u>356,147</u>
Transportation:				
Public works administration:				
Salaries and employee benefits	418,463	439,443	439,360	83
Operating expenditures	169,361	157,007	150,422	6,585
Capital outlay	25,000	25,000	-	25,000
Total public works administration	<u>612,824</u>	<u>621,450</u>	<u>589,782</u>	<u>31,668</u>
Streets and highways				
Salaries and employee benefits	695,709	743,544	743,502	42
Operating expenditures	321,980	350,195	349,486	709
Capital outlay	353,500	139,400	130,587	8,813
Total streets and highways	<u>1,371,189</u>	<u>1,233,139</u>	<u>1,223,575</u>	<u>9,564</u>
State Street Aid allocation:				
Operating expenditures	<u>600,000</u>	<u>628,000</u>	<u>624,608</u>	<u>3,392</u>
Traffic engineering:				
Salaries and employee benefits	241,616	223,626	209,866	13,760
Operating expenditures	96,217	107,148	100,638	6,510
Capital outlay	160,000	159,365	159,365	-
Total traffic engineering	<u>497,833</u>	<u>490,139</u>	<u>469,869</u>	<u>20,270</u>
Total transportation	<u>3,081,846</u>	<u>2,972,728</u>	<u>2,907,834</u>	<u>64,894</u>
Culture and recreation:				
Grounds maintenance:				
Salaries and employee benefits	562,529	514,709	496,402	18,307
Operating expenditures	127,523	150,413	148,195	2,218
Capital outlay	85,000	169,531	157,641	11,890
Total grounds maintenance	<u>775,052</u>	<u>834,653</u>	<u>802,238</u>	<u>32,415</u>
Patton Park pool:				
Operating expenditures	104,910	104,910	89,814	15,096
Capital outlay	-	-	-	-
Total Patton Park pool	<u>104,910</u>	<u>104,910</u>	<u>89,814</u>	<u>15,096</u>
Total culture and recreation	<u>879,962</u>	<u>939,563</u>	<u>892,052</u>	<u>47,511</u>

(continued)

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
Debt service:				
Principal	\$ 1,501,267	\$ 1,674,379	\$ 1,682,931	\$ (8,552)
Interest and fiscal charges	812,301	815,345	806,271	9,074
Total debt service	<u>2,313,568</u>	<u>2,489,724</u>	<u>2,489,202</u>	<u>522</u>
Total expenditures	<u>23,136,183</u>	<u>24,848,278</u>	<u>23,914,493</u>	<u>933,785</u>
(Deficiency) of revenues (under) expenditures	<u>(3,195,490)</u>	<u>(3,624,711)</u>	<u>(2,333,439)</u>	<u>1,291,272</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	20,000	87,220	81,216	(6,004)
Issuance of long-term debt	1,088,700	1,386,219	1,254,350	(131,869)
Appropriation of fund balance	1,666,590	1,086,525	-	(1,086,525)
Operating transfers in from other funds	1,250,000	4,511,800	4,555,606	43,806
Operating transfers out to other funds	<u>(829,800)</u>	<u>(3,447,053)</u>	<u>(1,726,948)</u>	<u>1,720,105</u>
Total other financing sources	<u>3,195,490</u>	<u>3,624,711</u>	<u>4,164,224</u>	<u>539,513</u>
Net change in fund balances	-	-	1,830,785	1,830,785
<b>Fund balances, beginning of year</b>	<u>9,763,382</u>	<u>9,763,382</u>	<u>9,763,382</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 9,763,382</u>	<u>\$ 9,763,382</u>	<u>\$ 11,594,167</u>	<u>\$ 1,830,785</u>

## **GOVERNMENTAL CAPITAL PROJECTS FUND**

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The Governmental Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds or reported separately as a non-major capital projects fund.

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE TO JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant revenue - NCDOT	\$ 832,000	\$ 163,114	\$ 190,361	\$ 353,475
Grant revenue - DOJ	24,500	-	24,500	24,500
Grant revenue - Dept of Housing	750,000	-	18,269	18,269
Grant revenue	70,000	-	-	-
Local contributions	2,932,020	575,000	2,500	577,500
Investment earnings	-	13,085	237,620	250,705
Total revenues	<u>4,608,520</u>	<u>751,199</u>	<u>473,250</u>	<u>1,224,449</u>
<b>Expenditures:</b>				
Current:				
General government				
Other operating expenditures	1,126,389	758,690	44,594	803,284
Capital outlay	56,771,800	20,211,601	5,810,568	26,022,169
Debt service:				
Principal retirements	13,499,000	13,499,000	-	13,499,000
Debt issuance costs	163,451	78,450	80,315	158,765
Total expenditures	<u>71,560,640</u>	<u>34,547,741</u>	<u>5,935,477</u>	<u>40,483,218</u>
Deficiency of revenues under expenditures	<u>(66,952,120)</u>	<u>(33,796,542)</u>	<u>(5,462,227)</u>	<u>(39,258,769)</u>
<b>Other financing sources (uses):</b>				
Transfers in	5,305,617	4,439,309	4,955,004	9,394,313
Transfers out	-	(72,000)	-	(72,000)
Issuance of long-term obligations	61,646,503	29,688,161	21,206,865	50,895,026
Premiums on issuance of long-term debt	-	648,631	-	648,631
Total other financing sources	<u>66,952,120</u>	<u>34,704,101</u>	<u>26,161,869</u>	<u>60,865,970</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 907,559</u>	20,699,642	<u>\$ 21,607,201</u>
<b>Fund balances, beginning of year</b>			<u>907,559</u>	
<b>Fund balances, end of year</b>			<u>\$ 21,607,201</u>	

## **GRANTS FUND**

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The Grants Fund is used to account for the receipt and disbursement of Federal and State grants, excluding those for which it may be deemed necessary for a separate fund to be established due to the size or nature of the grant.



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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE TO JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant revenue - CDBG	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Grant revenue - DOJ	152,754	40,962	23,948	64,910
Grant revenue - FEMA	1,551,616	1,382,973	143,149	1,526,122
Grant revenue - NCDENR	5,983,079	521,001	804,365	1,325,366
Grant revenue - NCSCIF	250,000	250,000	-	250,000
Grant revenue - NCDOT	25,000	-	5,867	5,867
Grant revenue - USDT	4,511,800	-	4,511,800	4,511,800
Contributions	400,000	-	400,000	400,000
Other restricted intergovernmental	1,510,000	1,586,883	15,781	1,602,664
Miscellaneous	40,000	39,945	-	39,945
Interest earnings	-	9,249	37,894	47,143
Total revenues	<u>14,924,249</u>	<u>4,331,013</u>	<u>5,942,804</u>	<u>10,273,817</u>
<b>Expenditures:</b>				
Current:				
General Government				
Operating Expenditures	1,900,000	-	360,000	360,000
Police department				
Salaries and Employee Benefits	25,000	-	5,592	5,592
Other operating expenditures	227,754	80,415	32,448	112,863
Fire department				
Salaries and employee benefits	2,094,616	2,306,644	637,309	2,943,953
Environmental protection				
Other operating expenditures	583,079	526,941	38,786	565,727
Economic and physical development				
Other operating expenditures	575,112	334,903	-	334,903
Water and Sewer				
Other operating expenditures	400,000	-	130,123	130,123
Capital outlay	250,000	293,337	5,735	299,072
Total expenditures	<u>6,055,561</u>	<u>3,542,240</u>	<u>1,209,993</u>	<u>4,752,233</u>
Excess of revenues over expenditures	8,868,688	788,773	4,732,811	5,521,584
<b>Other financing sources (uses):</b>				
Transfers in	1,108,187	1,502,535	537,691	2,040,226
Transfers out	(10,041,875)	(1,525)	(4,555,606)	(4,557,131)
Appropriation of fund balance	65,000	-	-	-
Total other financing sources (uses)	<u>(8,868,688)</u>	<u>1,501,010</u>	<u>(4,017,915)</u>	<u>(2,516,905)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 2,289,783</u>	714,896	<u>\$ 3,004,679</u>
<b>Fund balances, beginning of year</b>			<u>2,289,783</u>	
<b>Fund balances, end of year</b>			<u>\$ 3,004,679</u>	

**COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The City reports the following special revenue funds:

**Main Street Tax District Fund** – is used to account for the proceeds of an additional tax levy for the purpose of promoting commerce and tourism in the Central Business District.

**Seventh Avenue Tax District Fund** – is used to account for the proceeds of an additional tax levy for the purpose of promoting commerce and to the rehabilitate the economy of the City's Historic Seventh Avenue District.

**Special Revenue Fund** – is used to administer restricted or committed funds for some of the City's other programs.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	
<b>ASSETS</b>				
Investments	\$ 93,148	\$ 68,684	\$ -	\$ 161,832
Receivables, net:				
Taxes	9,306	779	-	10,085
Shared taxes	77,396	21,100	-	98,496
Accrued interest	393	224	-	617
Prepaid items	150	-	-	150
Restricted cash and cash equivalents	79,066	58,301	73,850	211,217
<b>Total assets</b>	<b>259,459</b>	<b>149,088</b>	<b>73,850</b>	<b>482,397</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	8,894	1,290	-	10,184
Accrued salaries and benefits	7,536	2,137	-	9,673
<b>Total liabilities</b>	<b>16,430</b>	<b>3,427</b>	<b>-</b>	<b>19,857</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	9,321	779	-	10,100
<b>Total deferred inflows of resources</b>	<b>9,321</b>	<b>779</b>	<b>-</b>	<b>10,100</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	150	-	-	150
Restricted for:				
Economic development	233,558	144,882	-	378,440
Public safety	-	-	73,850	73,850
<b>Total fund balances</b>	<b>233,708</b>	<b>144,882</b>	<b>73,850</b>	<b>452,440</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 259,459</b>	<b>\$ 149,088</b>	<b>\$ 73,850</b>	<b>\$ 482,397</b>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	
<b>Revenues:</b>				
Ad valorem taxes	\$ 287,843	\$ 46,289	\$ -	\$ 334,132
Unrestricted intergovernmental	294,107	58,821	-	352,928
Restricted intergovernmental	-	-	5,298	5,298
Special events income	24,335	-	-	24,335
Investment income	5,287	3,469	-	8,756
Miscellaneous	429	5,000	10,665	16,094
Total revenues	<u>612,001</u>	<u>113,579</u>	<u>15,963</u>	<u>741,543</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	98,081	98,081
Economic and physical development	526,458	122,024	-	648,482
Debt service:				
Principal	28,340	-	-	28,340
Interest	17,254	-	-	17,254
Total expenditures	<u>572,052</u>	<u>122,024</u>	<u>98,081</u>	<u>792,157</u>
Excess (deficiency) of revenues over (under) expenditures	39,949	(8,445)	(82,118)	(50,614)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	400,000	400,000
Transfers out	-	-	(400,000)	(400,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	39,949	(8,445)	(82,118)	(50,614)
<b>Fund balances, beginning of year</b>	<u>193,759</u>	<u>153,327</u>	<u>155,968</u>	<u>503,054</u>
<b>Fund balances, end of year</b>	<u>\$ 233,708</u>	<u>\$ 144,882</u>	<u>\$ 73,850</u>	<u>\$ 452,440</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA  
MAIN STREET TAX DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 279,660	\$ 283,960	\$ 287,419	\$ 3,459
Penalties and interest	-	-	424	424
Sales and use taxes	266,175	266,175	294,107	27,932
Special events income	13,250	24,250	24,335	85
Investment earnings (loss)	100	3,740	5,287	1,547
Miscellaneous	100	530	429	(101)
Total revenues	<u>559,285</u>	<u>578,655</u>	<u>612,001</u>	<u>33,346</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development				
Salaries and employee benefits	297,380	314,300	280,630	33,670
Other operating expenditures	332,570	334,694	245,828	88,866
Debt service:				
Principal	30,902	30,902	28,340	2,562
Interest	14,366	14,692	17,254	(2,562)
Total expenditures	<u>675,218</u>	<u>694,588</u>	<u>572,052</u>	<u>122,536</u>
Excess (deficiency) of revenues over (under) expenditures	(115,933)	(115,933)	39,949	155,882
<b>Other financing sources:</b>				
Appropriation of fund balance	115,933	115,933	-	(115,933)
Total other financing sources	<u>115,933</u>	<u>115,933</u>	<u>-</u>	<u>(115,933)</u>
Net changes in fund balances	-	-	39,949	39,949
<b>Fund balances, beginning of year</b>	<u>193,759</u>	<u>193,759</u>	<u>193,759</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 193,759</u>	<u>\$ 193,759</u>	<u>\$ 233,708</u>	<u>\$ 39,949</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA  
SEVENTH AVENUE TAX DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 41,303	\$ 44,303	\$ 46,224	\$ 1,921
Penalties and interest	-	-	65	65
Sales and use taxes	53,235	54,235	58,821	4,586
Investment earnings	100	2,123	3,469	1,346
Miscellaneous	5,000	5,000	5,000	-
Total revenues	<u>99,638</u>	<u>105,661</u>	<u>113,579</u>	<u>7,918</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development				
Salaries and employee benefits	82,669	88,692	78,467	10,225
Other operating expenditures	101,250	103,194	43,557	59,637
Total expenditures	<u>183,919</u>	<u>191,886</u>	<u>122,024</u>	<u>69,862</u>
Excess (deficiency) of revenues over (under) expenditures	(84,281)	(86,225)	(8,445)	77,780
<b>Other financing sources:</b>				
Appropriation of fund balance	84,281	86,225	-	(86,225)
Total other financing sources	<u>84,281</u>	<u>86,225</u>	<u>-</u>	<u>(86,225)</u>
Net changes in fund balances	-	-	(8,445)	(8,445)
<b>Fund balances, beginning of year</b>	<u>153,327</u>	<u>153,327</u>	<u>153,327</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 153,327</u>	<u>\$ 153,327</u>	<u>\$ 144,882</u>	<u>\$ (8,445)</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA  
SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ 5,298	\$ 5,298
Miscellaneous	-	-	10,665	10,665
Total revenues	<u>-</u>	<u>-</u>	<u>15,963</u>	<u>15,963</u>
<b>Expenditures:</b>				
Current:				
Public safety				
Operating expenditures	65,500	1,690,500	98,081	1,592,419
Total expenditures	<u>65,500</u>	<u>1,690,500</u>	<u>98,081</u>	<u>1,592,419</u>
Excess (deficiency) of revenues over (under) expenditures	(65,500)	(1,690,500)	(82,118)	1,608,382
<b>Other financing sources (uses):</b>				
Appropriation of fund balance	65,500	90,500	-	(90,500)
Transfers in	-	2,000,000	400,000	(1,600,000)
Transfers out	-	(400,000)	(400,000)	-
Total other financing sources (uses)	<u>65,500</u>	<u>1,690,500</u>	<u>-</u>	<u>(1,690,500)</u>
Net changes in fund balances	-	-	(82,118)	(82,118)
<b>Fund balances, beginning of year</b>	<u>155,968</u>	<u>155,968</u>	<u>155,968</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 155,968</u>	<u>\$ 155,968</u>	<u>\$ 73,850</u>	<u>\$ (82,118)</u>



## **NONMAJOR ENTERPRISE FUNDS**

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2023**

	<b>Nonmajor Enterprise Funds</b>		<b>Total</b>
	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	
<b>ASSETS</b>			
Current assets:			
Receivables, net:			
Accounts	\$ 234,976	\$ 146,018	\$ 380,994
Shared taxes	3,200	-	3,200
Loan proceeds	8,300	-	8,300
Total current assets	<u>246,476</u>	<u>146,018</u>	<u>392,494</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	11,134	335,325	346,459
Depreciable, net of accumulated depreciation	685,550	915,955	1,601,505
Total capital assets, net	<u>696,684</u>	<u>1,251,280</u>	<u>1,947,964</u>
Total assets	<u>943,160</u>	<u>1,397,298</u>	<u>2,340,458</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	318,937	194,705	513,642
OPEB related items	39,944	24,372	64,316
Total deferred outflows of resources	<u>358,881</u>	<u>219,077</u>	<u>577,958</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	33,625	34,117	67,742
Accrued salaries and benefits	21,509	14,154	35,663
Accrued interest payable	2,353	3,965	6,318
Due to other funds	156,442	106,646	263,088
Compensated absences, current	24,589	17,727	42,316
Current portion of long-term debt	85,283	67,944	153,227
Total current liabilities	<u>323,801</u>	<u>244,553</u>	<u>568,354</u>
Long-term liabilities:			
Compensated absences, less current portion	22,470	17,726	40,196
Long-term debt, less current portion	374,865	494,836	869,701
Net pension liability	464,584	283,618	748,202
Total OPEB liability	137,492	83,893	221,385
Total long-term liabilities	<u>999,411</u>	<u>880,073</u>	<u>1,879,484</u>
Total liabilities	<u>1,323,212</u>	<u>1,124,626</u>	<u>2,447,838</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	6,353	3,878	10,231
OPEB related items	24,084	14,695	38,779
Total deferred inflows of resources	<u>30,437</u>	<u>18,573</u>	<u>49,010</u>
<b>NET POSITION</b>			
Net investment in capital assets	236,536	682,898	919,434
Unrestricted	(288,144)	(209,722)	(497,866)
Total net position	<u>\$ (51,608)</u>	<u>\$ 473,176</u>	<u>\$ 421,568</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Nonmajor Enterprise Funds</b>		<b>Total</b>
	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,524,404	\$ 1,025,762	\$ 2,550,166
Total operating revenues	<u>1,524,404</u>	<u>1,025,762</u>	<u>2,550,166</u>
<b>OPERATING EXPENSES</b>			
Waste collection and treatment	1,535,233	-	1,535,233
Stormwater	-	869,937	869,937
Depreciation	123,957	68,896	192,853
Total operating expenses	<u>1,659,190</u>	<u>938,833</u>	<u>2,598,023</u>
Operating income (loss)	<u>(134,786)</u>	<u>86,929</u>	<u>(47,857)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Investment earnings	794	2,893	3,687
Intergovernmental revenue	12,865	-	12,865
Other nonoperating revenue	288	-	288
Interest expense	(8,143)	(9,178)	(17,321)
Total nonoperating revenues (expenses), net	<u>5,804</u>	<u>(6,285)</u>	<u>(481)</u>
Change in net position before interfund transfers and capital contributions	(128,982)	80,644	(48,338)
Transfers out	-	(377,000)	(377,000)
Capital contributions	-	89,377	89,377
Change in net position	(128,982)	(206,979)	(335,961)
<b>NET POSITION, beginning of year</b>	<u>77,374</u>	<u>680,155</u>	<u>757,529</u>
<b>NET POSITION, end of year</b>	<u>\$ (51,608)</u>	<u>\$ 473,176</u>	<u>\$ 421,568</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Nonmajor Enterprise Funds</b>		<b>Total</b>
	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,549,929	\$ 1,023,389	\$ 2,573,318
Payments to suppliers and service providers	(511,467)	(232,178)	(743,645)
Payments to employees	(1,058,422)	(611,187)	(1,669,609)
Net cash provided by (used in) operating activities	<u>(19,960)</u>	<u>180,024</u>	<u>160,064</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales of investments	833	49,085	49,918
Net cash provided by investing activities	<u>833</u>	<u>49,085</u>	<u>49,918</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(259,055)	(345,331)	(604,386)
Interfund borrowings for capital asset purchases	156,442	106,646	263,088
Interfund transfer out for reimbursement of project costs		(377,000)	(377,000)
Proceeds from capital grants		24,620	24,620
Principal payments on long-term debt	(84,771)	(45,146)	(129,917)
Interest payments on long-term debt	(8,523)	(5,645)	(14,168)
Proceeds from issuance of long-term debt	235,013	377,000	612,013
Net cash provided by (used in) capital and related financing activities	<u>39,106</u>	<u>(264,856)</u>	<u>(225,750)</u>
Net increase (decrease) in cash and cash equivalents	19,979	(35,747)	(15,768)
<b>Cash and cash equivalents:</b>			
Beginning of year	<u>(19,979)</u>	<u>35,747</u>	<u>15,768</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (134,786)	\$ 86,929	\$ (47,857)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	123,957	68,896	192,853
(Increase) decrease in customer accounts receivable	25,525	(2,373)	23,152
(Increase) in shared taxes receivable	(3,200)	-	(3,200)
Increase in accounts payable	2,347	7,209	9,556
Decrease in accrued salaries and benefits	(31,595)	(15,062)	(46,657)
Increase (decrease) in compensated absences payable	(24,949)	3,705	(21,244)
Increase in net pension liability and related deferrals	34,523	29,004	63,527
Increase (decrease) in total OPEB liability and related deferrals	(11,782)	1,716	(10,066)
Net cash provided by (used in) operating activities	<u>\$ (19,960)</u>	<u>\$ 180,024</u>	<u>\$ 160,064</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Donations of capital assets	<u>\$ -</u>	<u>\$ 64,757</u>	<u>\$ 64,757</u>

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

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**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Charges for services				
Water sales	\$ 14,762,000	\$ 15,030,659	\$ 14,675,325	\$ (355,334)
Sewer charges	6,420,850	6,708,850	6,814,372	105,522
Water and sewer taps	382,500	360,500	402,284	41,784
Miscellaneous revenues	426,900	607,000	602,539	(4,461)
Total operating revenues	<u>21,992,250</u>	<u>22,707,009</u>	<u>22,494,520</u>	<u>(212,489)</u>
<b>Nonoperating revenues:</b>				
Investment income	8,000	213,500	225,598	12,098
Miscellaneous	-	6,000	6,424	424
Total nonoperating revenues	<u>8,000</u>	<u>219,500</u>	<u>232,022</u>	<u>12,522</u>
Total revenues	<u>22,000,250</u>	<u>22,926,509</u>	<u>22,726,542</u>	<u>(199,967)</u>
<b>Expenditures:</b>				
Information technology:				
Salaries and employee benefits	251,032	252,406	252,406	-
Contracted services	215,000	352,705	339,745	12,960
Supplies	14,500	14,500	7,024	7,476
Capital outlay	-	619,602	619,601	1
Other departmental expenditures	562,400	439,825	375,758	64,067
Total information technology	<u>1,042,932</u>	<u>1,679,038</u>	<u>1,594,534</u>	<u>84,504</u>
Fleet maintenance:				
Salaries and employee benefits	185,157	182,882	180,127	2,755
Contracted services	10,000	10,000	683	9,317
Capital outlay	31,000	31,000	16,425	14,575
Other departmental expenditures	793	793	793	-
Total fleet maintenance	<u>226,950</u>	<u>224,675</u>	<u>198,028</u>	<u>26,647</u>
Administration:				
Salaries and employee benefits	1,682,001	1,721,028	1,691,922	29,106
Contracted services	186,200	317,010	232,321	84,689
Supplies	22,000	22,000	19,930	2,070
Repairs and maintenance	10,000	8,800	3,487	5,313
Capital outlay	300,000	457,200	456,299	901
Health and wellness allocation	112,241	192,241	192,241	-
Other departmental expenditures	1,327,390	1,358,919	1,261,923	96,996
Total administration	<u>3,639,832</u>	<u>4,077,198</u>	<u>3,858,123</u>	<u>219,075</u>
Finance:				
Salaries and employee benefits	1,188,630	1,053,699	1,053,695	4
Contracted services	221,000	221,000	248,716	(27,716)
Supplies	7,500	7,500	5,303	2,197
Other departmental expenditures	277,810	196,148	120,330	75,818
Total finance	<u>1,694,940</u>	<u>1,478,347</u>	<u>1,428,044</u>	<u>50,303</u>
Engineering:				
Salaries and employee benefits	984,502	967,612	948,520	19,092
Contracted services	45,000	45,285	45,264	21
Other departmental expenditures	109,600	110,450	82,788	27,662
Total engineering	<u>1,139,102</u>	<u>1,123,347</u>	<u>1,076,572</u>	<u>46,775</u>
Facilities maintenance:				
Salaries and employee benefits	1,125,541	1,149,293	1,085,251	64,042
Contracted services	151,000	151,450	140,703	10,747
Supplies	58,000	58,000	76,304	(18,304)
Repairs and maintenance	197,000	197,500	201,728	(4,228)
Capital outlay	260,000	260,750	86,170	174,580
Other departmental expenditures	111,354	111,754	90,641	21,113
Total facilities maintenance	<u>1,902,895</u>	<u>1,928,747</u>	<u>1,680,797</u>	<u>247,950</u>

*continued*

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
Water treatment plant:				
Salaries and employee benefits	\$ 969,831	\$ 1,049,860	\$ 1,049,860	\$ -
Contracted services	365,000	311,800	287,780	24,020
Utilities	4,500	4,500	5,194	(694)
Chemicals	558,000	568,000	569,944	(1,944)
Supplies	94,050	94,050	68,555	25,495
Repairs and maintenance	126,000	106,000	54,520	51,480
Capital outlay	-	135,000	117,637	17,363
Other departmental expenditures	95,575	95,575	70,275	25,300
Total water treatment plant	<u>2,212,956</u>	<u>2,364,785</u>	<u>2,223,765</u>	<u>141,020</u>
Operations support:				
Salaries and employee benefits	879,632	941,242	937,733	3,509
Supplies	39,500	39,500	13,617	25,883
Repairs and maintenance	13,500	16,100	27,692	(11,592)
Capital outlay	240,000	190,000	116,005	73,995
Other departmental expenditures	83,319	83,319	70,647	12,672
Total operations support	<u>1,255,951</u>	<u>1,270,161</u>	<u>1,165,694</u>	<u>104,467</u>
Water distribution:				
Salaries and employee benefits	1,746,760	1,705,125	1,704,124	1,001
Contracted services	130,000	95,000	66,089	28,911
Supplies	120,000	120,000	162,248	(42,248)
Repairs and maintenance	490,000	749,306	711,435	37,871
Capital outlay	205,000	505,000	412,625	92,375
Other departmental expenditures	192,290	219,165	227,224	(8,059)
Total water distribution	<u>2,884,050</u>	<u>3,393,596</u>	<u>3,283,745</u>	<u>109,851</u>
Wastewater treatment plant:				
Salaries and employee benefits	722,989	786,689	758,154	28,535
Contracted services	52,225	52,525	51,035	1,490
Sludge management	600,000	600,000	444,174	155,826
Utilities	3,000	3,000	495	2,505
Supplies	96,640	108,640	72,031	36,609
Repairs and maintenance	233,500	221,500	168,183	53,317
Other departmental expenditures	69,740	70,240	47,066	23,174
Total wastewater treatment plant	<u>1,778,094</u>	<u>1,842,594</u>	<u>1,541,138</u>	<u>301,456</u>
Wastewater collection:				
Salaries and employee benefits	841,136	838,227	838,224	3
Contracted services	140,000	115,000	76,921	38,079
Supplies	100,000	118,000	120,494	(2,494)
Repairs and maintenance	330,000	224,700	214,181	10,519
Capital outlay	-	19,050	19,050	-
Other departmental expenditures	159,358	169,737	142,703	27,034
Total wastewater collection	<u>1,570,494</u>	<u>1,484,714</u>	<u>1,411,573</u>	<u>73,141</u>
Debt service:				
Principal	2,560,771	2,684,759	2,551,152	133,607
Interest and fiscal charges	655,819	658,205	521,774	136,431
Total debt service	<u>3,216,590</u>	<u>3,342,964</u>	<u>3,072,926</u>	<u>270,038</u>
Total expenditures	<u>22,564,786</u>	<u>24,210,166</u>	<u>22,534,939</u>	<u>1,675,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(564,536)</u>	<u>(1,283,657)</u>	<u>191,603</u>	<u>1,475,260</u>

*continued*

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Other Financing Sources (Uses):</b>				
Transfers out	\$ -	\$ (124,000)	\$ (4,140,000)	\$ (4,016,000)
Transfers in	-	25,000	25,000	-
Issuance of long-term debt	-	619,602	4,635,601	4,015,999
Appropriation of net position	564,536	763,055	-	(763,055)
Total other financing sources (uses)	<u>564,536</u>	<u>1,283,657</u>	<u>520,601</u>	<u>(763,056)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	712,204	<u>\$ 712,204</u>
<b>Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:</b>				
Principal payments on long-term debt			2,551,152	
Issuance of long-term debt			(4,635,601)	
Change in accrued interest payable			(88,859)	
Purchases of capital assets			1,891,060	
Donated capital assets			5,525,336	
Depreciation and amortization expense			(4,217,802)	
Net book value of capital asset disposals			(1,231)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(504,826)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(47,533)	
Change in compensated absences			(54,596)	
Transfers in - Water and Sewer Capital Projects Fund			400,000	
Investment earnings - Water and Sewer Capital Projects Fund			87,393	
Noncapitalized expenses - Water and Sewer Capital Projects Fund			(436,039)	
Change in net position (GAAP basis) - Water and Sewer Fund			<u>\$ 1,180,658</u>	



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PARKING SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Charges for services				
Monthly parking	\$ 70,340	\$ 70,340	\$ 92,534	\$ 22,194
Parking meters	468,070	468,070	353,659	(114,411)
Special permits	500	500	1,467	967
Parking violations and penalties	9,900	91,900	117,075	25,175
Total operating revenues	<u>548,810</u>	<u>630,810</u>	<u>564,735</u>	<u>(66,075)</u>
<b>Nonoperating revenues:</b>				
Investment income	-	3,500	4,884	1,384
Total nonoperating revenues	<u>-</u>	<u>3,500</u>	<u>4,884</u>	<u>1,384</u>
Total revenues	<u>548,810</u>	<u>634,310</u>	<u>569,619</u>	<u>(64,691)</u>
<b>Expenditures:</b>				
Parking services:				
Salaries and employee benefits	119,047	120,547	114,540	6,007
Contracted services	2,467	65,392	-	65,392
Other departmental expenditures	36,750	57,725	101,217	(43,492)
Total parking services	<u>158,264</u>	<u>243,664</u>	<u>215,757</u>	<u>27,907</u>
Debt service:				
Principal	381,405	381,405	375,000	6,405
Interest and fiscal charges	436,997	436,997	435,951	1,046
Total debt service	<u>818,402</u>	<u>818,402</u>	<u>810,951</u>	<u>7,451</u>
Capital outlay	512,000	462,100	403,937	58,163
Total expenditures	<u>1,488,666</u>	<u>1,524,166</u>	<u>1,430,645</u>	<u>93,521</u>
Excess (deficiency) of revenues over (under) expenditures	(939,856)	(889,856)	(861,026)	28,830
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	55,000	55,000	-	(55,000)
Appropriation of net position	682,603	682,603	-	(682,603)
Transfers in	202,253	202,253	202,253	-
Transfers out	-	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>939,856</u>	<u>889,856</u>	<u>152,253</u>	<u>(737,603)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(708,773)</u>	<u>\$ (708,773)</u>
<b>Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:</b>				
Change in accrued interest payable			1,541	
Change in net position - Parking Services Capital Projects Fund			(6,700,065)	
Principal payments on long-term debt			375,000	
Amortization of bond premiums			166,660	
Purchases of capital assets			7,213,477	
Depreciation and amortization			<u>(129,374)</u>	
Change in net position (GAAP basis) - Parking Services Fund			<u>\$ 218,466</u>	

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**ENVIRONMENTAL SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Charges for services				
Residential	\$ 1,358,000	\$ 1,349,100	\$ 1,316,697	\$ (32,403)
Commercial	163,000	221,700	207,707	(13,993)
Total operating revenues	<u>1,521,000</u>	<u>1,570,800</u>	<u>1,524,404</u>	<u>(46,396)</u>
<b>Nonoperating revenues:</b>				
Recycling revenue	-	9,510	12,865	3,355
Investment income (loss)	300	950	794	(156)
Miscellaneous	1,800	290	288	(2)
Total nonoperating revenues	<u>2,100</u>	<u>10,750</u>	<u>13,947</u>	<u>3,197</u>
Total revenues	<u>1,523,100</u>	<u>1,581,550</u>	<u>1,538,351</u>	<u>(43,199)</u>
<b>Expenditures:</b>				
Waste collection and treatment:				
Salaries and employee benefits	1,009,304	1,055,554	1,026,827	28,727
Landfill tipping fees	250,000	250,000	228,175	21,825
Contracted services	63,900	65,044	65,405	(361)
Repairs and maintenance	70,000	60,136	62,097	(1,961)
Other departmental expenditures	124,904	155,524	154,937	587
Total waste collection and treatment	<u>1,518,108</u>	<u>1,586,258</u>	<u>1,537,441</u>	<u>48,817</u>
Debt service:				
Principal	84,771	84,771	84,771	-
Interest and fiscal charges	8,522	8,522	8,522	-
Total debt service	<u>93,293</u>	<u>93,293</u>	<u>93,293</u>	<u>-</u>
Capital outlay	20,000	263,313	259,055	4,258
Total expenditures	<u>1,631,401</u>	<u>1,942,864</u>	<u>1,889,789</u>	<u>53,075</u>
Excess (deficiency) of revenues over (under) expenditures	(108,301)	(361,314)	(351,438)	9,876
<b>Other Financing Sources (Uses):</b>				
Appropriation of net position	108,301	361,314	-	(361,314)
Total other financing sources (uses)	<u>108,301</u>	<u>361,314</u>	<u>-</u>	<u>(361,314)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(351,438)</u>	<u>\$ (351,438)</u>
<b>Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:</b>				
Principal payments on long-term debt			84,771	
Change in accrued interest payable			379	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(34,523)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			11,782	
Change in compensated absences			24,949	
Purchases of capital assets			259,055	
Depreciation and amortization expense			(123,957)	
Change in net position (GAAP basis) - Environmental Services Fund			<u>\$ (128,982)</u>	

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**STORMWATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Charges for services				
Stormwater fees	\$ 1,158,240	\$ 1,046,220	\$ 1,025,761	\$ (20,459)
Total operating revenues	<u>1,158,240</u>	<u>1,046,220</u>	<u>1,025,761</u>	<u>(20,459)</u>
<b>Nonoperating revenues:</b>				
Investment income (loss)	50	3,150	2,893	(257)
Total nonoperating revenues	<u>50</u>	<u>3,150</u>	<u>2,893</u>	<u>(257)</u>
Total revenues	<u>1,158,290</u>	<u>1,049,370</u>	<u>1,028,654</u>	<u>(20,716)</u>
<b>Expenditures:</b>				
<b>Stormwater:</b>				
Salaries and employee benefits	784,376	675,476	596,125	79,351
Contracted services	297,000	198,700	149,430	49,270
Repairs and maintenance	7,740	24,740	23,037	1,703
Other departmental expenditures	29,980	29,960	22,158	7,802
Total stormwater	<u>1,119,096</u>	<u>928,876</u>	<u>790,750</u>	<u>138,126</u>
<b>Debt service:</b>				
Principal	56,270	56,270	45,146	11,124
Interest and fiscal charges	5,110	5,110	5,645	(535)
Total debt service	<u>61,380</u>	<u>61,380</u>	<u>50,791</u>	<u>10,589</u>
Capital outlay	<u>310,000</u>	<u>326,300</u>	<u>321,012</u>	<u>5,288</u>
Total expenditures	<u>1,490,476</u>	<u>1,316,556</u>	<u>1,162,553</u>	<u>154,003</u>
Excess (deficiency) of revenues over (under) expenditures	(332,186)	(267,186)	(133,899)	133,287
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	140,000	140,000	377,000	237,000
Appropriation of net position	192,186	192,186	-	(192,186)
Transfers out	-	(65,000)	(377,000)	(312,000)
Total other financing sources (uses)	<u>332,186</u>	<u>267,186</u>	<u>-</u>	<u>(267,186)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(133,899)</u>	<u>\$ (133,899)</u>
<b>Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:</b>				
Issuance of long-term debt			(377,000)	
Principal payments on long-term debt			45,146	
Change in accrued interest payable			(3,533)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(29,004)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(1,716)	
Change in compensated absences			(3,705)	
Purchases of capital assets			345,331	
Donated capital assets			64,757	
Depreciation and amortization expense			(68,896)	
Change in net position - Stormwater Capital Projects Fund			<u>(44,460)</u>	
Change in net position (GAAP basis) - Stormwater Fund			<u>\$ (206,979)</u>	

## **ENTERPRISE CAPITAL PROJECT FUNDS**

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These funds account for the accumulation of resources and the subsequent disbursement of such resources in renovating major capital assets in the water and sewer systems, the City's parking services facilities, and the stormwater system.

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE TO JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant revenue - CDBG	\$ 1,040,500	\$ 1,040,500	\$ -	\$ 1,040,500
Grant revenue - NCDEQ	150,000	150,000	-	150,000
Grant revenue - Golden Leaf	556,140	506,899	-	506,899
Reimbursements	374,600	374,675	-	374,675
Local contributions	300,000	300,000	-	300,000
Investment income	106,747	19,624	87,394	107,018
Total revenues	<u>2,527,987</u>	<u>2,391,698</u>	<u>87,394</u>	<u>2,479,092</u>
<b>Expenditures:</b>				
Capital outlay	100,144,133	34,091,085	16,447,238	50,538,323
Non-capital	1,859,220	822,294	433,380	1,255,674
Debt issuance costs	878,862	757,612	121,250	878,862
Total expenditures	<u>102,882,215</u>	<u>35,670,991</u>	<u>17,001,868</u>	<u>52,672,859</u>
Deficiency of revenues under expenditures	(100,354,228)	(33,279,293)	(16,914,474)	(50,193,767)
<b>Other financing sources (uses):</b>				
Transfers in	28,343,505	19,370,903	2,452,633	21,823,536
Transfers out	(9,238,403)	(2,666,435)	(6,622,809)	(9,289,244)
Issuance of long-term debt	81,249,126	23,860,580	19,926,462	43,787,042
Total other financing sources	<u>100,354,228</u>	<u>40,565,048</u>	<u>15,756,286</u>	<u>56,321,334</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,285,755</u>	<u>\$ (1,158,188)</u>	<u>\$ 6,127,567</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE TO JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment income	\$ -	\$ 3,952	\$ 59,475	\$ 63,427
Total revenues	<u>-</u>	<u>3,952</u>	<u>59,475</u>	<u>63,427</u>
<b>Expenditures:</b>				
Land	12,949	12,949	-	12,949
Capital outlay CIP	10,312,068	3,365,955	6,809,540	10,175,495
Non-capital expenditures	5,635	5,635	-	5,635
Debt service:				
Debt issuance costs	207,119	207,119	-	207,119
Total expenditures	<u>10,537,771</u>	<u>3,591,658</u>	<u>6,809,540</u>	<u>10,401,198</u>
Deficiency of revenues under expenditures	(10,537,771)	(3,587,706)	(6,750,065)	(10,337,771)
<b>Other financing sources (uses):</b>				
Issuance of long-term debt	12,748,343	12,748,343	-	12,748,343
Transfers in	250,000	-	50,000	50,000
Transfers out	(2,460,572)	(2,460,572)	-	(2,460,572)
Total other financing sources	<u>10,537,771</u>	<u>10,287,771</u>	<u>50,000</u>	<u>10,337,771</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,700,065</u>	<u>\$ (6,700,065)</u>	<u>\$ -</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE TO JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant revenue	\$ 3,452,785	\$ 91,278	\$ 24,620	\$ 115,898
Total revenues	<u>3,452,785</u>	<u>91,278</u>	<u>24,620</u>	<u>115,898</u>
<b>Expenditures:</b>				
Capital outlay	3,767,112	154,240	24,319	178,559
Non-capital	14,973	14,974	44,761	59,735
Total expenditures	<u>3,782,085</u>	<u>169,214</u>	<u>69,080</u>	<u>238,294</u>
Deficiency of revenues under expenditures	(329,300)	(77,936)	(44,460)	(122,396)
<b>Other financing sources:</b>				
Transfers in	329,300	97,000	-	97,000
Total other financing sources	<u>329,300</u>	<u>97,000</u>	<u>-</u>	<u>97,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 19,064</u>	<u>\$ (44,460)</u>	<u>\$ (25,396)</u>

## **INTERNAL SERVICE FUND**

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



**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**HEALTH AND WELFARE INTERNAL SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Final Budget
	Original	Final		
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 292,025	\$ 390,026	\$ 390,026	\$ -
Miscellaneous	12,000	12,000	25,936	13,936
Total revenues	<u>304,025</u>	<u>402,026</u>	<u>415,962</u>	<u>13,936</u>
<b>Expenditures:</b>				
Current:				
Employee benefits	304,025	404,026	394,591	9,435
Total expenditures	<u>304,025</u>	<u>404,026</u>	<u>394,591</u>	<u>9,435</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2,000)	21,371	23,371
<b>Other financing sources (uses):</b>				
Budgeted use of net position	-	2,000	-	(2,000)
Total other financing sources (uses)	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Net changes in net position	-	-	21,371	21,371
<b>Net position, beginning of year</b>	<u>77,809</u>	<u>77,809</u>	<u>77,809</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 77,809</u>	<u>\$ 77,809</u>	<u>\$ 99,180</u>	<u>\$ 21,371</u>

## PROPERTY TAXES

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**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
GENERAL FUND (CITY-WIDE)  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Original Levy:</b>	<b>City-wide</b>		<b>Total Levy</b>		
	<b>Property Valuation</b>	<b>Rate</b>	<b>Amount of Levy</b>	<b>Property Excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>
Property at current year's rate	\$ 2,312,985,061	0.52	\$ 12,027,522	\$ 11,061,090	\$ 966,432
Penalties	<u>(4,399,615)</u>		<u>(22,878)</u>	<u>(22,878)</u>	<u>-</u>
Total	<u>2,308,585,446</u>		<u>12,004,644</u>	<u>11,038,212</u>	<u>966,432</u>
Discoveries:					
Current year taxes	9,908,462	0.52	51,524	51,524	
Penalties	<u>3,154,038</u>		<u>16,401</u>	<u>16,401</u>	
			<u>67,925</u>	<u>67,925</u>	
Releases:					
Current year taxes	(5,260,385)	0.52	(27,354)	(27,354)	
Penalties	<u>(516,923)</u>		<u>(2,688)</u>	<u>(2,688)</u>	
			<u>(30,042)</u>	<u>(30,042)</u>	
Total property valuation	<u>\$ 2,315,870,638</u>				
Net levy			12,042,527	11,076,095	966,432
Uncollected taxes at June 30, 2023			<u>155,065</u>	<u>148,065</u>	<u>7,000</u>
Current year's taxes collected			<u>\$ 11,887,462</u>	<u>\$ 10,928,030</u>	<u>\$ 959,432</u>
Current levy collection percentage			<u>98.71%</u>	<u>98.66%</u>	<u>99.28%</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
GENERAL FUND  
AS OF JUNE 30, 2023**

<b>Fiscal year</b>	<b>Uncollected Balance June 30, 2022</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2023</b>
2022-2023	\$ -	\$ 12,042,527	\$ 11,887,462	\$ 155,065
2021-2022	101,553	-	85,314	16,239
2020-2021	40,471	-	35,575	4,896
2019-2020	51,783	-	8,731	43,052
2018-2019	64,256	-	-	64,256
2017-2018	34,093	-	-	34,093
2016-2017	19,661	-	-	19,661
2015-2016	22,580	-	-	22,580
2014-2015	17,824	-	-	17,824
2013-2014	15,392	-	-	15,392
2012-2013	9,743	-	-	9,743
2011-2012	10,235	-	-	10,235
2010-2011	9,883	-	-	9,883
2009-2010	9,448	-	-	9,448
2008-2009	14,559	-	-	14,559
2007-2008	18,604	-	-	18,604
2006-2007	10,018	-	-	10,018
2005-2006	2,590	-	-	2,590
	<u>\$ 452,693</u>	<u>\$ 12,042,527</u>	<u>\$ 12,017,082</u>	<u>478,138</u>
		Less allowance for uncollectible ad valorem taxes receivable		<u>240,150</u>
			Ad valorem taxes receivable, net	<u>\$ 237,988</u>
		Reconcilement with revenues:		
		Ad valorem taxes - General Fund		\$ 12,027,091
		Penalties collected on ad valorem taxes		16,550
		Reconciling items:		
		Interest collected		(26,488)
		Discounts allowed		(71)
		Total collections and credits		<u>\$ 12,017,082</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
MAIN STREET TAX DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Original Levy:</b>	<b>City-wide</b>		<b>Total Levy</b>		
	<b>Property Valuation</b>	<b>Rate</b>	<b>Amount of Levy</b>	<b>Property Excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>
Property at current year's rate	\$ 120,024,346	0.24	\$ 288,058	\$ 283,440	\$ 4,618
Penalties	(56,250)		(135)	(135)	-
Total	119,968,096		287,923	283,305	4,618
Discoveries:					
Current year taxes	478,750	0.24	1,149	1,149	
Penalties	120,833		290	290	
			1,439	1,439	
Releases:					
Current year taxes	(130,000)	0.24	(312)	(312)	
Penalties	-		(78)	(78)	
			(390)	(390)	
Total property valuation	<u>\$ 120,437,679</u>				
Net levy			288,972	284,354	4,618
Uncollected taxes at June 30, 2023			2,479	2,479	-
Current year's taxes collected			<u>\$ 286,493</u>	<u>\$ 281,875</u>	<u>\$ 4,618</u>
Current levy collection percentage			<u>99.14%</u>	<u>99.13%</u>	<u>100.00%</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
SEVENTH AVENUE TAX DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Original Levy:</b>	<b>City-wide</b>		<b>Total Levy</b>		
	<b>Property Valuation</b>	<b>Rate</b>	<b>Amount of Levy</b>	<b>Property Excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>
Property at current year's rate	\$ 26,776,318	0.17	\$ 45,520	\$ 41,746	\$ 3,774
Penalties	<u>(42,353)</u>		<u>(72)</u>	<u>(72)</u>	<u>-</u>
Total	<u>26,733,965</u>		<u>45,448</u>	<u>41,674</u>	<u>3,774</u>
Discoveries:					
Current year taxes	191,765	0.17	326	326	
Penalties	<u>54,118</u>		<u>92</u>	<u>92</u>	
			<u>418</u>	<u>418</u>	
Releases:					
Current year taxes	(95,294)	0.17	(162)	(162)	
Penalties	<u>(20,588)</u>		<u>(35)</u>	<u>(35)</u>	
			<u>(197)</u>	<u>(197)</u>	
Total property valuation	<u>\$ 26,863,966</u>				
Net levy			45,669	41,895	3,774
Uncollected taxes at June 30, 2023			<u>582</u>	<u>570</u>	<u>12</u>
Current year's taxes collected			<u>\$ 45,087</u>	<u>\$ 41,325</u>	<u>\$ 3,762</u>
Current levy collection percentage			<u>98.73%</u>	<u>98.64%</u>	<u>99.68%</u>





# STATISTICAL SECTION

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

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<b>Financial Trends</b> .....	<b>113 - 118</b>

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

<b>Revenue Capacity</b> .....	<b>119 - 122</b>
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

<b>Debt Capacity</b> .....	<b>123 - 126</b>
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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.

<b>Demographic and Economic Information</b> .....	<b>127 and 128</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

<b>Operating Information</b> .....	<b>129 - 131</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NET POSITION BY COMPONENT  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
Net investment in capital assets	\$ 17,860,656	\$ 16,304,268	\$ 18,615,092	\$ 19,614,200	\$ 19,926,250	\$ 21,020,174
Restricted	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875
Unrestricted	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633	1,110,510
Total governmental activities net position	<u>\$ 24,505,775</u>	<u>\$ 24,037,536</u>	<u>\$ 26,948,761</u>	<u>\$ 26,631,012</u>	<u>\$ 25,862,352</u>	<u>\$ 25,416,559</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Net investment in capital assets	\$ 54,082,358	\$ 52,399,169	\$ 50,835,364	\$ 51,388,724	\$ 56,252,393	\$ 63,008,624
Unrestricted	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513	13,368,475
Total business-type activities net position	<u>\$ 78,534,867</u>	<u>\$ 78,429,785</u>	<u>\$ 76,606,414</u>	<u>\$ 74,120,467</u>	<u>\$ 74,983,906</u>	<u>\$ 76,377,099</u>
<b>PRIMARY GOVERNMENT</b>						
Net investment in capital assets	\$ 71,943,014	\$ 68,703,437	\$ 69,450,456	\$ 71,002,924	\$ 76,178,643	\$ 84,028,798
Restricted	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875
Unrestricted	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146	14,478,985
Total primary government net position	<u>\$ 103,040,642</u>	<u>\$ 102,467,321</u>	<u>\$ 103,555,175</u>	<u>\$ 100,751,479</u>	<u>\$ 100,846,258</u>	<u>\$ 101,793,658</u>

From: Statement of Net Position

**TABLE 1**

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 20,335,763	\$ 21,035,571	\$ 19,891,169	\$ 24,328,314
3,739,753	7,139,251	6,802,743	7,783,564
982,519	(2,700,317)	(89,526)	388,280
<u>\$ 25,058,035</u>	<u>\$ 25,474,505</u>	<u>\$ 26,604,386</u>	<u>\$ 32,500,158</u>
\$ 68,316,330	\$ 67,043,265	\$ 71,004,372	\$ 71,668,399
10,189,499	12,545,384	10,917,754	11,316,890
<u>\$ 78,505,829</u>	<u>\$ 79,588,649</u>	<u>\$ 81,922,126</u>	<u>\$ 82,985,289</u>
\$ 88,652,093	\$ 88,078,836	\$ 90,895,541	\$ 95,996,713
3,739,753	7,139,251	6,802,743	7,783,564
11,172,018	9,845,067	10,828,228	11,705,170
<u>\$ 103,563,864</u>	<u>\$ 105,063,154</u>	<u>\$ 108,526,512</u>	<u>\$ 115,485,447</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>EXPENSES</b>					
Governmental activities:					
General Government	\$ 2,374,428	\$ 2,813,625	\$ 2,583,313	\$ 3,157,971	\$ 3,054,736
Public Safety	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808
Transportation	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903
Environmental Protection	626,450	484,528	21,508	139,054	240,541
Economic and Physical Development	455,811	428,450	520,035	564,691	721,195
Cultural and Recreational	215,403	537,955	968,892	1,010,569	960,189
Interest on Long-term Obligations	346,513	318,140	295,850	263,137	274,831
Total governmental activities	<u>12,998,475</u>	<u>14,080,308</u>	<u>14,252,039</u>	<u>15,361,729</u>	<u>16,254,203</u>
Business-type activities:					
Water and sewer fund	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569
Parking services fund	-	-	-	-	-
Environmental services fund	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440
Stormwater fund	-	-	-	-	177,649
Total business-type activities expenses	<u>14,160,097</u>	<u>17,225,873</u>	<u>18,670,373</u>	<u>19,823,469</u>	<u>16,569,658</u>
Total primary government expenses	<u>\$ 27,158,572</u>	<u>\$ 31,306,181</u>	<u>\$ 32,922,412</u>	<u>\$ 35,185,198</u>	<u>\$ 32,823,861</u>
<b>PROGRAM REVENUES</b>					
Governmental activities:					
Charges for services:					
General Government	\$ -	\$ 39,153	\$ 85,995	\$ 38,379	\$ 25,639
Public Safety	217,156	76,401	217,039	295,562	468,933
Transportation	98,555	-	-	-	-
Parks and Drainage	16,000	-	-	-	-
Cultural and Recreational	168,084	323,572	412,311	429,214	363,692
Operating grants and contributions	433,681	680,540	722,754	807,606	703,076
Capital grants and contributions	60,079	53,783	1,073,002	565,917	561,531
Total governmental activities program revenues	<u>993,555</u>	<u>1,173,449</u>	<u>2,511,101</u>	<u>2,136,678</u>	<u>2,122,871</u>
Business-type activities:					
Charges for services:					
Water and sewer	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817
Parking services	-	-	-	-	-
Environmental services fund	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775
Stormwater fund	-	-	-	-	241,568
Grants and contributions	580,014	1,177,512	46,537	679,696	1,820,530
Total business-type activities program revenues	<u>15,782,247</u>	<u>17,036,217</u>	<u>16,736,659</u>	<u>17,176,525</u>	<u>18,503,690</u>
Total primary government program revenues	<u>\$ 16,775,802</u>	<u>\$ 18,209,666</u>	<u>\$ 19,247,760</u>	<u>\$ 19,313,203</u>	<u>\$ 20,626,561</u>

**TABLE 2**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 3,885,983	\$ 3,798,995	\$ 3,815,963	\$ 4,530,733	\$ 6,371,382
9,043,813	10,317,127	11,300,514	12,476,303	14,208,697
2,559,392	2,966,740	3,042,198	2,601,447	3,395,730
95,522	15,898	910	-	-
521,007	560,800	467,382	622,665	816,721
864,375	913,075	848,292	809,652	932,353
253,558	325,760	453,291	459,091	883,110
<u>17,223,650</u>	<u>18,898,395</u>	<u>19,928,550</u>	<u>21,499,891</u>	<u>26,607,993</u>
16,069,699	16,993,598	18,449,631	20,876,600	23,608,570
-	-	-	454,355	612,881
1,428,563	1,519,238	1,479,708	1,710,016	1,667,333
275,402	311,497	437,571	1,352,826	948,011
<u>17,773,664</u>	<u>18,824,333</u>	<u>20,366,910</u>	<u>24,393,797</u>	<u>26,836,795</u>
<u>\$ 34,997,314</u>	<u>\$ 37,722,728</u>	<u>\$ 40,295,460</u>	<u>\$ 45,893,688</u>	<u>\$ 53,444,788</u>
\$ 40,272	\$ 37,730	\$ 65,547	\$ 93,421	\$ 57,141
390,797	251,510	177,686	-	271,432
153,295	200,070	-	-	-
-	-	-	-	-
292,418	273,800	301,004	329,893	298,362
1,338,803	1,272,272	1,860,657	3,416,622	6,821,829
271,254	-	699,285	-	242,832
<u>2,486,839</u>	<u>2,035,382</u>	<u>3,104,179</u>	<u>3,839,936</u>	<u>7,691,596</u>
16,067,138	16,196,439	17,742,080	20,681,826	22,512,835
-	-	-	236,266	564,735
1,221,473	1,237,818	1,325,233	1,508,967	1,524,404
341,334	378,635	652,269	998,963	1,025,762
1,421,287	2,935,574	2,055,043	2,947,764	5,634,286
<u>19,051,232</u>	<u>20,748,466</u>	<u>21,774,625</u>	<u>26,373,786</u>	<u>31,262,022</u>
<u>\$ 21,538,071</u>	<u>\$ 22,783,848</u>	<u>\$ 24,878,804</u>	<u>\$ 30,213,722</u>	<u>\$ 38,953,618</u>

(continued)

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (expense)/revenue					
Governmental activities	\$ (12,004,920)	\$ (12,906,859)	\$ (11,740,938)	\$ (13,225,051)	\$ (14,131,332)
Business-type activities	1,622,150	(189,656)	(1,933,714)	(2,646,944)	1,934,032
Total primary government net expense	<u>\$ (10,382,770)</u>	<u>\$ (13,096,515)</u>	<u>\$ (13,674,652)</u>	<u>\$ (15,871,995)</u>	<u>\$ (12,197,300)</u>
<b>GENERAL REVENUES</b>					
Governmental activities:					
Property Taxes	\$ 7,289,030	\$ 7,745,067	\$ 8,084,440	\$ 8,302,439	\$ 8,563,585
Sales & Use Tax	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984
Other taxes	402,294	402,398	13,528	12,200	11,544
Franchise Taxes	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448
Restricted Intergovernmental Revenue	379,744	-	-	-	-
Permits and Fees	71,455	177,883	261,890	245,055	239,548
Investment Earnings	16,374	53,142	117,250	45,477	60,808
Miscellaneous	68,735	234,357	335,338	293,332	337,144
Transfers	(228,720)	-	138,947	26,474	534,955
Special Items	-	-	-	-	-
Total governmental activities	<u>11,600,142</u>	<u>12,675,434</u>	<u>13,426,826</u>	<u>13,391,824</u>	<u>14,222,016</u>
Business-type activities:					
Investment earnings	34,318	157,767	277,173	85,509	106,643
Miscellaneous	158,183	91,806	64,501	101,689	196,496
Gain on sale of capital assets	-	-	-	-	-
Transfers	<u>228,720</u>	<u>-</u>	<u>(138,947)</u>	<u>(26,474)</u>	<u>(534,955)</u>
Total business-type activities	<u>421,221</u>	<u>249,573</u>	<u>202,727</u>	<u>160,724</u>	<u>(231,816)</u>
Total primary government	<u>\$ 12,021,363</u>	<u>\$ 12,925,007</u>	<u>\$ 13,629,553</u>	<u>\$ 13,552,548</u>	<u>\$ 13,990,200</u>
<b>CHANGE IN NET POSITION</b>					
Governmental activities	\$ (404,778)	\$ (231,425)	\$ 1,685,888	\$ 166,773	\$ 90,684
Business-type activities	2,043,371	59,917	(1,730,987)	(2,486,220)	1,702,216
Total Change in Net Position	<u>\$ 1,638,593</u>	<u>\$ (171,508)</u>	<u>\$ (45,099)</u>	<u>\$ (2,319,447)</u>	<u>\$ 1,792,900</u>

From: Statement of Activities

**TABLE 2**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ (14,736,811)	\$ (16,863,013)	\$ (16,824,371)	\$ (17,659,955)	\$ (18,916,397)
1,277,568	1,924,133	1,407,715	1,979,989	4,425,227
<u>\$ (13,459,243)</u>	<u>\$ (14,938,880)</u>	<u>\$ (15,416,656)</u>	<u>\$ (15,679,966)</u>	<u>\$ (14,491,170)</u>
\$ 9,108,913	\$ 10,887,215	\$ 11,319,866	\$ 12,084,859	\$ 12,571,874
3,427,281	3,807,868	4,597,838	5,236,194	5,882,131
11,605	283,418	473,363	483,223	523,262
1,281,328	1,218,896	1,268,343	1,267,760	1,347,011
-	-	-	-	-
264,151	-	-	-	-
220,110	121,167	16,594	(41,011)	565,359
211,310	155,925	168,047	108,811	156,785
336,250	30,000	-	(350,000)	3,765,747
(569,930)	-	-	-	-
<u>14,291,018</u>	<u>16,504,489</u>	<u>17,844,051</u>	<u>18,789,836</u>	<u>24,812,169</u>
331,817	164,081	5,038	(22,853)	403,683
114,735	61,352	-	-	-
5,323	9,164	41,515	26,341	-
(336,250)	(30,000)	-	350,000	(3,765,747)
<u>115,625</u>	<u>204,597</u>	<u>46,553</u>	<u>353,488</u>	<u>(3,362,064)</u>
<u>\$ 14,406,643</u>	<u>\$ 16,709,086</u>	<u>\$ 17,890,604</u>	<u>\$ 19,143,324</u>	<u>\$ 21,450,105</u>
\$ (445,793)	\$ (358,524)	\$ 1,019,680	\$ 1,129,881	\$ 5,895,772
1,393,193	2,128,730	1,454,268	2,333,477	1,063,163
<u>\$ 947,400</u>	<u>\$ 1,770,206</u>	<u>\$ 2,473,948</u>	<u>\$ 3,463,358</u>	<u>\$ 6,958,935</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

**(modified accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund					
Nonspendable	\$ -	\$ 8,805	\$ 63,057	\$ 474,265	\$ 461,013
Restricted for Stabilization by State Statute	925,946	1,058,260	1,790,318	1,830,006	2,513,576
Restricted for Public Safety	131,935	115,235	-	-	-
Restricted for Economic Development	7,906	19,577	-	-	-
Restricted for USDA Loan Reserve	-	-	-	-	-
Assigned for Subsequent Year's Expenditures	1,122,300	701,672	436,981	1,017,696	612,000
Unassigned	<u>6,207,146</u>	<u>6,200,178</u>	<u>5,091,043</u>	<u>4,326,041</u>	<u>3,956,453</u>
Total general fund	<u>8,395,233</u>	<u>8,103,727</u>	<u>7,381,399</u>	<u>7,648,008</u>	<u>7,543,042</u>
All other governmental funds					
Nonspendable	-	-	491	12,680	1,000
Restricted for Stabilization by State Statute	69,407	25,550	387,151	112,353	144,619
Restricted for General Government	-	-	1,428	3,689	424,000
Restricted for Economic Development	55,106	73,782	135,136	173,511	58,154
Restricted for Public Safety	189,615	52,786	110,261	43,673	94,610
Restricted for Human Services	-	-	-	-	-
Restricted for Cultural and Recreation	-	-	-	4,687	3,030
Restricted for Transportation	958,013	956,917	1,132,835	877,277	1,300,480
Restricted for Capital Projects	-	-	-	-	-
Committed - Organic Garden	-	-	-	3,230	3,230
Assigned - Subsequent Year's Expenditures	46,000	7,531	548,148	439,020	89,307
Assigned - Debt Service	-	-	508,419	146,344	-
Unassigned	-	-	<u>(373,383)</u>	<u>(205,128)</u>	<u>(827,181)</u>
Total All Other Governmental Funds	<u>1,318,141</u>	<u>1,116,566</u>	<u>2,450,486</u>	<u>1,611,336</u>	<u>1,291,249</u>
Total All Governmental Funds	<u>\$ 9,713,374</u>	<u>\$ 9,220,293</u>	<u>\$ 9,831,885</u>	<u>\$ 9,259,344</u>	<u>\$ 8,834,291</u>



**TABLE 3**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 72,783	\$ 104,022	\$ 83,644	\$ 38,543	\$ 37,503
2,117,460	2,499,480	6,091,937	3,947,831	4,202,146
-	-	-	-	-
-	-	-	-	-
-	-	-	62,225	124,449
713,196	1,257,155	1,261,744	1,666,590	2,614,518
<u>4,469,087</u>	<u>4,691,912</u>	<u>2,199,122</u>	<u>4,048,193</u>	<u>4,615,551</u>
<u>7,372,526</u>	<u>8,552,569</u>	<u>9,636,447</u>	<u>9,763,382</u>	<u>11,594,167</u>
-	629,506	368	150	150
760,904	930,323	-	-	-
3,470	-	-	-	-
57,572	68,751	900,670	346,936	378,440
118,458	80,206	146,644	700,551	1,333,329
-	-	-	1,500,000	1,500,000
-	14,273	-	-	245,200
214,135	-	-	-	-
-	9,239,540	-	907,559	21,607,201
3,230	3,230	-	-	-
135,109	132,125	-	-	-
-	-	-	-	-
<u>(362,698)</u>	<u>(531,695)</u>	<u>(943,457)</u>	<u>-</u>	<u>-</u>
<u>930,180</u>	<u>10,566,259</u>	<u>104,225</u>	<u>3,455,196</u>	<u>25,064,320</u>
<u>\$ 8,302,706</u>	<u>\$ 19,118,828</u>	<u>\$ 9,740,672</u>	<u>\$ 13,218,578</u>	<u>\$ 36,658,487</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>REVENUES</b>					
Property Tax	\$ 7,319,539	\$ 7,666,438	\$ 8,096,500	\$ 8,232,001	\$ 8,573,856
Other Taxes	402,294	402,398	13,528	12,200	11,544
Unrestricted Intergovernmental	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053
Restricted Intergovernmental	595,052	609,063	1,757,512	1,303,087	949,686
Permits and Fees	48,088	49,602	103,712	143,613	257,704
Sales and Services	414,073	480,028	566,479	518,672	430,673
Investment Earnings	16,335	53,094	117,250	45,476	60,808
Miscellaneous	272,522	188,331	272,567	301,644	548,588
Total revenues	<u>12,830,040</u>	<u>13,707,246</u>	<u>15,712,532</u>	<u>15,376,848</u>	<u>15,656,912</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,228,056	3,184,950	2,441,963	2,843,232	2,793,058
Public Safety	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468
Transportation	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504
Environmental Protection	547,571	9,107	21,508	139,054	240,541
Economic & Physical Development	453,223	431,801	510,737	542,179	699,373
Cultural and Recreational	215,403	715,098	803,433	818,336	737,169
Capital Outlay	-	-	1,993,434	2,257,810	1,368,877
Debt Service:					
Principal	723,333	723,333	830,273	832,133	836,995
Interest and Fees	352,972	324,613	300,938	270,328	231,874
Bond issuance costs	-	-	-	-	29,550
Total expenditures	<u>16,478,756</u>	<u>14,517,990</u>	<u>15,695,806</u>	<u>16,683,690</u>	<u>16,699,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,648,716)</u>	<u>(810,744)</u>	<u>16,726</u>	<u>(1,306,842)</u>	<u>(1,042,497)</u>

**TABLE 4**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 9,132,571	\$ 10,883,687	\$ 11,088,668	\$ 11,872,169	\$ 12,361,223
11,604	10,895	9,888	10,420	12,084
5,090,200	5,539,666	6,333,234	6,982,998	7,746,534
1,534,819	889,022	1,858,851	3,238,715	7,034,729
412,876	399,737	470,766	496,762	458,957
365,557	341,043	264,116	129,331	376,415
220,109	121,167	16,594	(41,011)	565,359
223,679	133,676	165,119	375,545	183,350
<u>16,991,415</u>	<u>18,318,893</u>	<u>20,207,236</u>	<u>23,064,929</u>	<u>28,738,651</u>
3,587,116	3,314,528	3,677,000	4,244,229	5,771,698
8,229,430	8,981,546	10,056,460	11,826,612	13,031,731
1,971,674	2,113,102	2,395,137	2,014,481	2,946,620
95,522	15,898	910	-	-
502,947	533,430	443,416	610,171	778,605
644,646	642,670	879,309	766,462	892,052
4,806,713	2,909,871	11,797,516	3,172,412	5,816,303
631,138	793,074	887,105	14,616,073	1,711,271
237,879	277,965	484,965	384,105	823,525
-	36,933	-	41,517	80,315
<u>20,707,065</u>	<u>19,619,017</u>	<u>30,621,818</u>	<u>37,676,062</u>	<u>31,852,120</u>
<u>(3,715,650)</u>	<u>(1,300,124)</u>	<u>(10,414,582)</u>	<u>(14,611,133)</u>	<u>(3,113,469)</u>

(continued)

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Debt - Bonds	\$ -	\$ -	\$ -	\$ -	\$ 1,352,000
Proceeds of Debt - Notes Payable	-	242,500	78,533	655,000	-
Inception of Leases / Subscriptions	-	-	-	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-	(1,321,397)
Sale of Capital Assets	-	18,090	2,125	8,972	1,700
Insurance Recovery	-	57,073	96,383	43,855	50,186
<b>OPERATING TRANSFERS FROM (TO) OTHER FUNDS</b>					
<b>Enterprise Fund</b>					
Environmental Services Fund	(127,840)	-	-	-	-
Parking Services Fund	-	-	-	-	-
Water and Sewer Fund	(100,880)	-	138,947	26,474	625,539
Stormwater Fund	-	-	-	-	(90,584)
<b>Capital Projects Fund - City Hall Operations Building Project</b>					
Main Street Tax District - General Fund Reimbursement	100,000	100,000	-	-	-
Main Street Tax District	-	(100,000)	-	-	-
Main Street Tax District - Main Street Project	189,046	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(37,470)	-	-	-	-
	<u>22,856</u>	<u>317,663</u>	<u>315,988</u>	<u>734,301</u>	<u>617,444</u>
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (3,625,860)	\$ (493,081)	\$ 332,714	\$ (572,541)	\$ (425,053)
Capital Asset Expenditures	\$ 4,064,359	\$ 1,333,272	\$ 2,031,608	\$ 2,298,582	\$ 1,363,198
Debt service as a percentage of noncapital expenditures	<u>8.7%</u>	<u>7.9%</u>	<u>8.3%</u>	<u>7.7%</u>	<u>7.0%</u>

**TABLE 4**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ -	\$ 11,500,000	\$ -	\$ 15,568,631	\$ -
2,965,100	-	768,161	609,956	21,992,127
-	521,478	206,335	-	469,088
-	-	-	-	-
23,207	1,151	61,930	45,080	81,216
43,780	63,617	-	-	-
378,250	-	-	-	-
-	-	-	2,110,572	(202,253)
(42,000)	30,000	-	-	(425,000)
-	-	-	-	-
-	-	-	-	4,393,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>3,368,337</u>	<u>12,116,246</u>	<u>1,036,426</u>	<u>18,334,239</u>	<u>26,308,178</u>
\$ (184,272)	\$ -	\$ -	\$ -	\$ -
\$ (531,585)	\$ 10,816,122	\$ (9,378,156)	\$ 3,723,106	\$ 23,194,709
\$ 4,804,733	\$ 1,833,501	\$ 12,528,275	\$ 3,982,136	\$ 7,495,258
<u>5.5%</u>	<u>6.4%</u>	<u>7.6%</u>	<u>44.5%</u>	<u>10.4%</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

(amounts expressed in hundreds)

Fiscal Year	Assessed Real Property		Assessed Personal Property		Less: Tax-exempt Real Property
	Commercial Property	Residential Property	Motor Vehicles	Other	
2014	\$ 867,439,562	\$ 601,013,269	\$ 133,799,024	\$ 111,836,701	\$ 13,190,519
2015	860,792,797	622,571,755	121,051,969	130,347,339	10,594,200
2016	869,531,034	628,891,720	127,865,067	126,562,294	13,449,401
2017	869,827,543	629,106,171	136,782,391	117,221,370	13,914,601
2018	881,579,895	637,606,103	134,141,102	115,895,380	13,876,051
2019	758,917,288	777,919,406	141,273,265	137,921,560	13,565,701
2020	940,032,962	920,894,622	141,532,245	154,779,155	13,474,000
2021	999,259,059	922,392,978	160,750,408	129,063,770	16,504,479
2022	1,013,616,881	935,646,352	173,936,654	118,793,002	17,617,295
2023	1,187,084,478	824,923,112	186,719,537	135,245,691	18,102,180

Source: Henderson County Tax Assessor's Office

**TABLE 5**

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<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Tax Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 1,700,898,037	0.81	\$ 1,700,916,367	100.0%
1,724,169,660	0.84	1,733,530,726	99.5%
1,739,400,714	0.86	1,844,539,463	94.3%
1,739,022,874	0.86	2,003,482,574	86.8%
1,755,346,429	0.87	2,017,639,574	87.0%
1,802,465,818	0.89	2,025,242,492	89.0%
2,143,764,984	0.92	2,330,179,330	92.0%
2,194,961,736	0.92	2,385,827,974	92.0%
2,224,375,594	0.93	2,391,801,714	93.0%
2,315,870,638	0.74	3,146,563,367	73.6%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PROPERTY TAX RATES (DIRECT AND OVERLAPPING GOVERNMENTS)  
Last Ten Fiscal Years**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>City Direct Rates</b>						
General Fund Rate	0.410	0.440	0.460	0.460	0.470	0.490
Main Street Tax District	0.280	0.280	0.280	0.280	0.280	0.280
Seventh Avenue District	0.120	0.120	0.120	0.120	0.120	0.120
<b>Total Direct Rate</b>	<b>0.810</b>	<b>0.840</b>	<b>0.860</b>	<b>0.860</b>	<b>0.870</b>	<b>0.890</b>
<b>County Rates</b>						
Henderson County	0.5136	0.5136	0.5136	0.5650	0.5650	0.5650
Town of Fletcher	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400
Town of Laurel Park	0.0360	0.3900	0.4300	0.4300	0.4300	0.4300
Town of Saluda	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450
Town of Mills River	0.0974	0.1124	0.1124	0.1800	0.1800	0.1800
Village of Flat Rock	0.0840	0.1100	0.1100	0.1100	0.1100	0.1100
<b>Fire (14) District Rates</b>						
From Lowest	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800
To Highest	0.1250	0.1250	0.1300	0.1300	0.1300	0.1300
<b>Special Purpose District Rates</b>						
Main Street Tax District	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200

Source: Henderson County Tax Assessor's Office



**TABLE 6**

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
0.490	0.490	0.520	0.520
0.260	0.260	0.240	0.240
0.170	0.170	0.170	0.170
0.920	0.920	0.930	0.930
0.5610	0.5610	0.5610	0.5610
0.3400	0.3400	0.3400	0.3400
0.4350	0.4350	0.4350	0.4350
0.6650	0.6650	0.6750	0.6800
0.1900	0.1900	0.1900	0.1900
0.1300	0.1300	0.1300	0.1300
0.0900	0.0900	0.0900	0.1000
0.1350	0.1400	0.1400	0.1400
0.2600	0.2600	0.2400	0.2400
0.1700	0.1700	0.1700	0.1700

TABLE 7

## CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2023 Fiscal Year			2014 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles	\$ 47,259,615	1	2.04%	\$ 33,809,520	1	1.99%
Lake Point Landing	36,289,709	2	1.57%	10,329,200	10	0.61%
Triangle Ballantyne Hendersonville	28,618,100	3	1.24%	23,598,700	2	1.39%
Walmart	26,251,451	4	1.13%	19,442,480	3	1.14%
Boyd Hyder	23,727,419	5	1.02%	16,169,300	5	0.95%
Triangle Real Estate of Gastonia, Inc.	22,251,200	6	0.96%	23,598,700	2	1.39%
Duke Energy HC	21,698,950	7	0.94%	10,581,377	9	0.62%
SMBS LEASING at JABIL	16,081,100	8	0.69%	-		0.00%
Sams	13,905,747	9	0.60%	-		0.00%
First Citizens Bank	13,416,058	10	0.58%	11,264,868	8	0.66%
Totals	<u>\$ 249,499,349</u>		<u>10.77%</u>	<u>\$ 148,794,145</u>		<u>8.75%</u>

Source: City of Hendersonville Tax Collector

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

Fiscal Year	Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year		Adjusted Tax Levy for Fiscal Year	Collected within Fiscal Year of the Levy	
		Amount	Percentage of Levy			
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%
2016	7,890,120	106,715		7,996,835	7,837,894	98.01%
2017	7,997,213	11,895		8,009,108	7,862,484	98.17%
2018	8,294,356	(35,435)		8,258,921	8,116,296	98.27%
2019	8,801,346	23,980		8,825,326	8,697,385	98.55%
2020	10,562,551	(34,718)		10,527,833	10,384,754	98.64%
2021	10,790,575	(28,643)		10,761,932	10,642,972	98.89%
2022	11,665,844	(99,091)		11,566,753	11,465,200	99.12%
2023	12,004,644	37,883		12,042,527	11,887,462	98.71%

Source: Hendersonville County Tax Commissioner's Office

**TABLE 8**

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<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
	<b>Amount</b>	<b>Percentage of Adjusted Levy</b>
\$ 73,212	\$ 6,402,398	99.72%
107,633	6,895,967	99.42%
105,108	7,943,002	99.33%
126,963	7,989,447	99.75%
108,531	8,224,827	99.59%
80,189	8,777,574	99.46%
100,027	10,484,781	99.59%
114,066	10,757,038	99.95%
85,314	11,550,514	99.86%
-	11,887,462	98.71%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-type Activities			
	General Obligation Bonds	Other Bonds	Financed Purchases	Notes Payable	Revenue Bonds	Other Bonds	Financed Purchases	Notes Payable
2014	\$ 2,060,000	\$ -	\$ -	\$ 6,750,000	\$ -	\$ -	\$ -	\$ 20,902,442
2015	1,870,000	-	-	6,459,167	-	-	-	27,283,746
2016	1,680,000	-	-	5,897,427	-	-	-	24,262,654
2017	1,490,000	-	-	5,910,294	-	-	-	21,057,370
2018	1,343,000	-	-	5,272,299	-	-	-	18,515,329
2019	1,177,000	-	-	7,772,261	-	-	-	16,569,675
2020	1,013,000	-	497,781	18,666,884	12,100,000	12,100,000	-	10,814,841
2021	852,000	-	586,602	18,826,454	10,889,000	10,889,000	109,932	14,042,341
2022	694,000	3,935,950	414,802	16,709,750	16,589,000	12,652,051	84,427	16,659,408
2023	539,000	3,635,655	276,833	37,617,673	23,551,000	12,110,391	59,520	31,484,687

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

\* Information is not yet available

**TABLE 9**

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<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
\$ 29,712,442	0.77%	\$ 2,205
35,612,913	0.88%	2,607
31,840,081	0.75%	2,303
28,457,664	0.64%	2,023
25,130,628	0.53%	1,771
25,518,936	0.48%	1,791
43,270,025	0.77%	3,031
45,306,329	0.74%	2,993
67,739,388	*	4,203
109,274,759	*	6,847

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2014	\$ 2,060,000	\$ -	\$ 2,060,000	0.12%	\$ 155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	1,490,000	-	1,490,000	0.07%	106
2018	1,343,000	-	1,343,000	0.06%	95
2019	1,177,000	-	1,177,000	0.06%	83
2020	1,013,000	-	1,013,000	0.05%	71
2021	852,000	-	852,000	0.04%	56
2022	694,000	-	694,000	0.03%	43
2023	539,000	-	539,000	0.02%	34

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) 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, 2023

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes:</b>			
Henderson County	\$ 138,983,429	15.28%	\$ 21,236,668
Subtotal, Overlapping Debt			21,236,668
City of Hendersonville Direct			<u>42,069,161</u>
Total Direct and Overlapping Debt			<u>\$ 63,305,829</u>

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

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



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 136,071,843	\$ 135,907,787	\$ 138,980,953	\$ 139,121,830	\$ 140,427,714
Total net debt applicable to limit	<u>29,712,442</u>	<u>35,612,913</u>	<u>28,457,664</u>	<u>28,457,664</u>	<u>25,130,628</u>
Legal debt margin	<u>\$ 106,359,401</u>	<u>\$ 100,294,874</u>	<u>\$ 110,523,289</u>	<u>\$ 110,664,166</u>	<u>\$ 115,297,086</u>
Total net debt applicable to the limit as a percentage of debt limit	21.8%	26.2%	20.5%	20.5%	17.9%

Calculation of Current Year Legal Debt Margin

Total Assessed Value  
Debt Limit (8% of Total Assessed Value)

Amount of Debt Applicable to Debt Limit:  
Total Non-Bonded Debt  
Total Bonded Debt  
Total Amount of Debt Applicable to Debt Limit

Legal Debt Margin

**TABLE 12**

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 144,197,265	\$ 171,501,199	\$ 175,596,939	\$ 177,950,048	\$ 185,269,651
<u>25,518,936</u>	<u>43,092,506</u>	<u>45,308,038</u>	<u>67,739,388</u>	<u>109,274,759</u>
<u>\$ 101,425,021</u>	<u>\$ 128,408,693</u>	<u>\$ 130,288,901</u>	<u>\$ 110,210,660</u>	<u>\$ 75,994,892</u>
29.7%	25.1%	25.8%	38.1%	59.0%
			\$ 2,224,375,594	\$ 2,315,870,638
			177,950,048	185,269,651
			67,045,388	108,735,759
			<u>694,000</u>	<u>539,000</u>
			<u>67,739,388</u>	<u>109,274,759</u>
			<u>\$ 110,210,660</u>	<u>\$ 75,994,892</u>

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Fiscal Years

Fiscal Year	(1) City Population	(2) County Population	(3) Personal Income (Amount in Thousands)	(4) Per Capita Personal Income	(5) School Enrollment
2014	13,473	109,404	\$ 3,842,493	\$ 35,122	13,491
2015	13,663	110,939	4,031,132	36,336	13,495
2016	13,824	112,655	4,231,103	37,558	13,690
2017	14,064	114,209	4,454,428	39,002	13,241
2018	14,189	15,708	4,765,710	41,179	13,212
2019	14,251	116,748	5,323,876	45,342	13,361
2020	14,277	117,417	5,612,483	47,385	13,164
2021	15,137	116,281	6,149,222	52,634	12,600
2022	16,115	116,829	*	*	12,671
2023	15,959	118,106	*	*	12,744

Data Sources:

- (1) US Census (QuickFacts)
- (2) US Census (QuickFacts)
- (3) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (4) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (5) Henderson County Public Schools
- (6) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (7) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (8) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- \* Information not yet available

**TABLE 13**

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(6)	(7)	(8)
Unemployment Rate		
County	State	U.S.
4.9%	6.5%	5.9%
4.6%	5.0%	5.7%
4.3%	4.9%	4.9%
3.6%	4.2%	4.4%
3.6%	4.2%	4.0%
3.6%	4.2%	3.7%
7.5%	7.6%	11.1%
4.3%	4.9%	6.1%
3.5%	4.1%	3.8%
3.6%	4.0%	3.6%

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago

Employer	2023 Fiscal Year			2014 Fiscal Year		
	Employees	Rank	Percentage of Total City Population	Employees	Rank	Percentage of Total City Population
Henderson County Schools	1,900	1	11.91%	1,700	1	12.62%
Pardee Hospital	1,835	2	11.50%	1,194	2	8.86%
Ingles Markets, Inc.	1,169	3	7.33%	750	5	5.57%
Park Ridge Health	1,306	4	8.18%	1,100	3	8.16%
Henderson County	1,199	5	7.51%	700	6	5.20%
Meritor	682	6	4.27%	581	7	4.31%
Wilsonart LLC	601	7	3.77%			
Hospice of Henderson County Inc	432	8	2.71%			
Blude Ridge Community College	332	9	2.08%	356	11	2.64%
Sierra Nevada Brewing Co	387	10	2.42%	346		
Total	<u>9,843</u>		<u>61.68%</u>	<u>6,727</u>		<u>47.36%</u>

Source: NC Department of Commerce

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019
<b>General Government</b>						
Administration	3	5	5	5	5	5
Finance	12	13	12	14	18	19
Support Services	14	15	13	14	17	17
<b>Public Safety</b>						
Police	51	51	53	53	56	59
Fire	27	27	27	29	33	33
<b>Public Works</b>						
Fleet Maintenance	6	6	6	6	6	6
Building Maintenance	3	3	3	4	4	4
Administration	3	3	3	3	3	3
Streets & Highways	9	7	7	7	9	9
Traffic Engineer	2	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8	8
Subtotal	31	29	29	30	32	32
<b>Business-type Activities</b>						
Water and Sewer Fund	65	65	68	72	73	79
Stormwater Fund	14	14	15	15	14	14
<b>Total</b>	<b>217</b>	<b>219</b>	<b>222</b>	<b>232</b>	<b>248</b>	<b>258</b>

**TABLE 15**

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
5	5	5	5
18	18	21	19
17	19	22	23
59	57	60	60
49	54	51	48
6	6	6	6
4	4	4	4
3	3	4	5
9	9	9	14
2	4	3	3
8	9	9	10
32	35	35	42
82	97	100	106
14	14	14	14
276	299	308	317

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## OPERATING INDICATORS BY FUNCTION Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019
General Government						
Building Permits Issued						
Residential	307	119	130	101	221	256
Commercial	90	87	110	110	105	105
Public Safety - Police						
Physical Arrests	1,544	1,602	2,723	1,195	909	1,793
Traffic Violations	2,664	2,250	2,017	2,040	2,133	2,239
Parking Violations	2,317	2,216	3,029	2,462	1,790	1,415
Public Safety - Fire						
Number of Fire Calls Answered	3,401	4,121	4,352	4,761	4,638	4,499
Inspections Conducted	370	583	955	1,679	4,318	3,985
Water						
Number of Service Connections	26,446	26,723	30,000	27,449	28,415	29,986
Average Daily Production in Gallons	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896
Sewer						
Number of Service Connections	8,751	9,035	9,500	9,067	9,411	9,461
Average Daily Treatment in Gallons	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584
Solid Waste						
Refuse Collections (Tons per Year)	3,353	3,519	3,438	3,325	4,031	3,326
Recycling Collections (Tons per Year)	848	928	1,033	1,106	1,231	1,107
Scrap Metal (Tons per Year)	3	6	12	23	12	32

Sources: Various City of Hendersonville departments.



**TABLE 16**

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
309	241	188	282
97	90	81	121
787	985	1,030	841
2,862	2,386	2,570	2,939
854	689	1,226	5,325
3,855	3,825	4,099	4,224
4,573	4,634	4,522	3,722
29,308	30,504	30,981	31,414
6,942,134	7,323,913	7,575,326	7,282,337
9,699	10,198	10,360	10,623
2,636,585	2,747,490	2,181,721	2,225,693
3,414	3,566	3,524	3,456
1,005	1,070	997	924
84	11	20,630	12

## CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION  
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hendersonville										
Public Facilities/Buildings	5	5	5	1	1	2	3	3	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	39	39	30	30	30	42	35	40	40	40
Public Safety - Fire										
Number of Fire Stations	2	2	2	2	2	2	2	2	2	2
Number of Fire Trucks	6	6	5	6	5	5	5	6	6	6
Public Service										
Streets (in Miles)	68.20	68.20	68.20	65.75	65.75	65.75	65.75	65.75	67.55	67.55
Street Lights (Leased)	1,501	1,515	1,515	1,520	1,520	1,532	1,532	1,532	1,536	1,536
Street Lights (Owned)	189	189	189	256	215	286	286	286	286	286
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	158	158	184	184
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	4	2
Parks	12	12	12	12	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	14	14
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	637	640	653	623	624	633	634	664	712	721
Fire Hydrants	2,598	2,626	2,648	2,662	2,692	2,694	2,751	2,921	3,035	3,147
Sewer										
Sanitary Sewers (Miles)	178	178	180	160	182	182	183	183	186	190
Storm Sewers (Miles)	30	30	30	30	30	30	30	30	30	40
Solid Waste										
Collection/Refuse Trucks	4	4	4	4	4	4	6	6	6	6

Source: Various City of Hendersonville departments

**COMPLIANCE SECTION**

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## 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 GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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** (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2023. Our report includes a reference to other auditors who audited the financial statements of the Hendersonville Alcoholic Beverage Control Board (the "ABC Board") as described in our report on the City's financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the ABC Board or that are reported on separately by those auditors who audited the financial statements of the ABC Board.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing 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'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.

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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 to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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.



Raleigh, North Carolina  
November 6, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

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

***Opinion on Each Major Federal Program***

We have audited the **City of Hendersonville, North Carolina's** (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *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's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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 federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
November 6, 2023





**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

---

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

***Opinion on Each Major State Program***

We have audited the **City of Hendersonville, North Carolina’s** (the “City”) compliance with the types of compliance requirements described in the *OMB 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’s major state programs for the year ended June 30, 2023. The City’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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 each of its major state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

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### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
November 6, 2023

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
<b>Federal Awards:</b>				
<b>U.S. Department of the Treasury:</b>				
Direct Programs:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0203	\$ 4,511,800	\$ -
Passed Through the N.C. Department of Environmental Quality:				
COVID-19 American Rescue Plan - Earmark	21.027	SRP-W-ARP-0031	525,746	-
COVID-19 American Rescue Plan - Earmark	21.027	SRP-W-ARP-0031	115,147	-
COVID-19 American Rescue Plan - Earmark	21.027	AIA-D-ARP-0091	130,123	-
			<u>771,016</u>	<u>-</u>
<b>Total Department of Treasury</b>			<u>5,282,816</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development:</b>				
Passed Through the N.C. Department of Housing and Urban Development				
Ashe Street Community - CDBG	14.228	19-C-3128(NR)	18,269	-
<b>U.S. Department of Justice:</b>				
Direct Programs:				
Equitable Sharing Program	16.922	n/a	15,781	-
Bulletproof Vest Partnership Program	16.607	HW-2019-05-SB	2,540	-
Passed Through Governor's Crime Commission				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-00278-JAGX	24,500	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-00633-JAGX	8,332	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-00633-JAGX	11,450	-
			<u>62,603</u>	<u>-</u>
<b>Total Department of Justice</b>			<u>62,603</u>	<u>-</u>
<b>U.S. Department of Transportation:</b>				
Passed Through N.C. Department of Transportation				
Governor's Highway Safety Program - Highway Safety Cluster	20.600	PT-23-06-32	4,253	-
Highway Planning and Construction	20.205	BL-0008	190,361	-
			<u>194,614</u>	<u>-</u>
<b>Total Department of Transportation</b>			<u>194,614</u>	<u>-</u>
<b>U.S. Environmental Protection Agency:</b>				
Passed Through the N.C. Department of Environmental Quality				
Clean Water State Revolving Fund (CWSRF) Cluster	66.458	CS370444-10	9,548	-
Drinking Water State Revolving Fund (DWSRF) Cluster	66.468	H-SRF-F-20-1940	11,316,532	-
			<u>11,326,080</u>	<u>-</u>
<b>Total Environmental Protection Agency</b>			<u>11,326,080</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>				
Direct Programs:				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants (Loan Balances)	10.766	n/a	11,221,930	-
<b>U.S. Department of Homeland Security</b>				
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	n/a	143,149	-
<b>TOTAL FEDERAL AWARDS</b>			<u>28,249,461</u>	<u>-</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
<b>State Awards:</b>				
<b>N.C. Department of Environmental Quality</b>				
Division of Water Infrastructure				
Connect NC Bond Program - Northside Water System		H-SRP-D-17-0132	\$ -	\$ 120,381
<b>Total Department of Environmental Quality</b>			-	120,381
<b>N.C. Office of State Budget and Management</b>				
SCIF Directed Grants		10161	-	5,561
<b>Total Office of State Budget and Management</b>			-	5,561
<b>N.C. Department of Transportation:</b>				
Powell Bill Program		DOT-4	-	459,284
<b>Total Department of Transportation</b>			-	459,284
<b>N.C. Department of Natural and Cultural Resources</b>				
North Carolina Land and Water Fund		2021-808	-	24,620
<b>Total Department of Natural and Cultural Resources</b>			-	24,620
<b>TOTAL STATE AWARDS</b>			-	<b>609,846</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 28,249,461</b>	<b>\$ 609,846</b>

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2023

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### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the City of Hendersonville, North Carolina (the "City") under programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 3: INDIRECT COST RATE**

The City did not utilize the 10% de Minimis indirect cost rate.

### **NOTE 4: BALANCES OF FEDERALLY FUNDED LOANS**

As of June 30, 2023, the City has federally funded loans outstanding as follows:

- (1) United States Department of Agriculture - \$11,221,930

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

### SECTION I SUMMARY OF AUDITOR'S RESULTS

#### **Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### **Federal Awards**

Internal control over major federal programs:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_\_\_ yes  X  none reported

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

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

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants
21.027	American Rescue Plan Act

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**

**State Awards**

Internal control over major state programs:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported  
In accordance with the State Single Audit Implementation Act? \_\_\_\_\_ yes  X  no

Identification of major state program:

Program Name \_\_\_\_\_

North Carolina Department of Transportation – Powell Bill Program

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III  
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV  
STATE AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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None reported.