

CITY OF HENDERSONVILLE
NORTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the fiscal year ended
June 30, 2013

Prepared by:
Department of Finance

CITY OF HENDERSONVILLE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

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

CITY OF HENDERSONVILLE

The City of Four Seasons

FINANCE DEPARTMENT
James W. Rudisill, Finance Director

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

November 26, 2013

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

North Carolina General Statute 159-34 states that "each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards." Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hendersonville for the fiscal year ended June 30, 2013.

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

The City of Hendersonville's financial statements have been audited by Carland and Andersen, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hendersonville for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hendersonville's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Hendersonville was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the city today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The city is the county seat of Henderson County and largest among five municipalities located within the County. As of June 30, 2013, the North Carolina Office of State Planning estimated the city's population to be 13,294.

The city encompasses an area of 6.80 square miles and is located on a mountain plateau 2,200 feet above sea level. Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 48 inches, average summer temperature of 71 degrees, average winter temperature of 39 degrees and average snowfall of 15 inches, Hendersonville is known as the "*City of Four Seasons.*" This soubriquet was given to the city more than 50 years ago by a local weatherman, the late Kermit Edney. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The city is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

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

The city is empowered by the *Machinery Act of North Carolina* to levy a property tax on both real and personal property located within its legal boundaries. The city also has the power to extend its corporate limits by annexation, which is done periodically when deemed necessary by the governing body. Annexation can be either voluntary or involuntary depending on the circumstances. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and water and sewer service to more than 65,000 people is provided by the city.

The Council is required to adopt an initial budget for the fiscal year no later than May 31 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 (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, 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.

Local economy. The economy of the area is sustained by the local government employment markets, community college system, agricultural production, and industries located within the county. Henderson County has a diversified economic environment with many different industrial and commercial companies augmented by a strong agricultural community. There are more than 100 manufacturing and industrial companies in the county that support the economy. Among the largest companies in the area are General Electric Lighting Systems, Inc., ITT Automotive, Selee Corporation, Wilsonart International, Eaton Corporation, Kimberly-Clark Corporation, Pardee Memorial Hospital, LeMan's Corporation, Park Ridge Hospital, Kyocera Industrial, and Arvin-Meritor Automotive. Sierra Nevada Brewing Company is currently expanding its operations in Chico, California with a second facility located on 90 acres in Mills River and is expected to be online in the fall of this year. Also, Saint Paul Winery and Burnt shirt Vineyards opened for production in fall of last year.

In the third quarter of 2012, manufacturers in Henderson County paid \$246,205,072 in payroll, resulting in an average manufacturing wage that was an estimated 29 percent higher than the total average wage in the County. There are several industrial parks located within the county. They include Broadpointe Industrial near I-26 and Highway 280, Brickton Industrial Park located in Fletcher, Lakewood Industrial Park at Highway 64 and I-26 and Ferncliff Industrial Park located near the west side of Asheville Regional Airport. Micro brewing is becoming a big business in Henderson County and craft beer is providing a substantial industry for Western North Carolina.

Apples, which were first planted at the end of the 18th century, continue to be an important part of the economy today with sales averaging \$24 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. The county produces about 65 percent of the apples grown in North Carolina on approximately 6,000 acres of land and is the largest apple producer in the State with about 150 apple orchards that produce about 85 percent of the apples grown in North Carolina. The mountain climate is conducive to producing excellent fruit color and flavor. Rome Beauty is the most widely grown apple variety followed by Red and Golden Delicious. Winesap, Jonathans and Granny Smith types are also grown in addition to the newest varieties - Ginger Gold, Gala, Honey Crisp, Empire, Fuji and Jonagolds. Agriculture in Henderson County is more than just apple production. The county has more than 500 farms that produce milk and field crops in addition to livestock and horses. Henderson County is second in the state in ornamental plant production. VanWingerden Greenhouse Company, located in the county, is not only a major supplier of greenhouse products but also ranks high among the nation's top 100 growers. More than 20 greenhouses, 85 nurseries, 5 cut-flower farms and two sod farms produce an estimated 4,200 species of plants on about 4,000 acres of land. Henderson County is second in the state in ornamental plant production. It has exceeded apple production for the past ten years and is expected to continue to grow in the near future. However, North Carolina is still ranked seventh in the nation in apple production.

The organic farming of apples and vegetables is becoming an emerging market for wholesale and retail sales. In all its various forms, agricultural production means more than a \$103 million dollars to our local economy each year. Gross income for the past year totaled about \$60 million in farm gate sales with another \$50 million from the landscaping and ecosystem restoration sector. This sector should continue to prosper as more and more people become environmentally conscious. The county also has a different kind of agricultural market know as "entertainment farming" that began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours and pumpkin carving. This type of farming is a natural for the area and is expected to grow as more tourist and outdoor enthusiasts discover its existence.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and industry to the region. The city has a very vibrant economy with a strong residential, commercial and industrial tax base. The city has also extended its corporate limits several times by annexation which enabled the City Council to reduce the property tax rate on both real and personal property. Hendersonville's financial position remains strong and should remain strong in the foreseeable future based on current trends and economic indicators. The city still needs to continue to explore for new methods of securing financial resources and seek ways to control expenditures in order to provide its citizens with a high quality of service.

Long-term financial planning. Total unassigned fund balance in the General Fund equaled 55.6 percent of total general fund expenditures as of June 30, 2013. City policy mandates that all unassigned fund balance over 45 percent of total general fund expenditures at the end of each fiscal year be transferred to a separate capital reserve fund. The actual transfer of funds is made during the following fiscal year based upon audited figures.

The General Fund Capital Reserve Fund is used in conjunction with the City's formally adopted Capital Improvement Program (C. I. P.). The C. I. P. is reviewed annually at the beginning of the budget process to determine all departmental capital outlay needs for the next fiscal year. No funds are appropriated or transferred from the capital reserve fund unless approved by City Council. This fund has proven to be a valuable resource since its inception in FY1995. The balance in the General Fund Capital Reserve Fund as of June 30, 2013, totaled \$410,164.

A similar fund is maintained in the City's Water and Sewer enterprise system. Five hundred and fifty thousand (550,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2013, totaled \$1,712,809.

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

It is also the City's policy that "one-time" nonrecurring revenue resource inflows from outside agencies not be used for operating purposes. Therefore, all funding received as a result of federal programs such as the American Recovery and Reinvestment Act (ARRA) of 2009 and State programs such as the ones implemented by North Carolina Department of Transportation or North Carolina Department of Environment and Natural Resources is utilized for only capital outlay improvements. This policy also pertains to sources of funding received from grants and other

Major initiatives. In the fall of FY 2011-12 the Water and Sewer Department embarked on a plan to replace more than 28,000 of the system's meters with radio read technology. This project was initially designed to be accomplished over a 15-year period with funds budgeted each year during the city's capital improvement program review. After a year's work of research and several public discussions it was decided a turnkey approach would work best in order to take advantage of favorable interest rates and as well as construction costs.

The city entered into a project development agreement with Energy Systems Group (ESG) to look at the financial feasibility of this venture. The findings of the study were presented to City Council on November 3, 2011 and the Council approved proceeding with the project. The total cost of the project is \$11,643,452 with a 12-month implementation schedule. A financing agreement for this amount was entered into with Chase Equipment Finance, Incorporated through JPMorgan Chase Bank, NA on April 10, 2012, for a period of 15 years. It is projected that the City will save an estimated \$800,000 to \$1,200,000 over this time period due to the increased accuracy and efficiency of the new meters. The project is expected to be completed by July 31 of this year.

The city currently has a Supervisory Control and Data Acquisition (SCADA) system that consists of both new and obsolete equipment and is in the process of upgrading the obsolete portion. This upgrade is scheduled to take place over a five-year period that began in FY 2010-11. The final phase of the project is scheduled for FY 2014-15 and the total amount of the project is estimated to cost \$1,309,000. Also, loan and grant applications were prepared in FY2012-13 for the Jackson Park Sewer Interceptor, Wolfpen Sewer Outfall and Shepherd Creek/Atkinson School sewer outfall and sanitary sewer improvements. The City received a commitment of N.C. State Revolving Loan funds in the amount of \$8,596,000 in January of 2013 for these capital improvements. These projects are scheduled for FY2014, FY2015, and FY2016, respectively and are estimated to cost \$8,767,920. The amount of costs in excess of the revolving loans will come from cash reserves.

In the General Fund this year the City acquired a new fire engine in May of this year and began construction of a new fire station in June. Some park acquisition and improvements on the northwest and southeast side of town and some road reconstruction projects were moved to future years due to the continued slow economic recovery. City Council decided to have a bond referendum in November 2013 to let the citizens of Hendersonville decide whether or not improvements to Berkeley Mills Park should be made via a bond issue. This project is estimated to cost approximately \$5,500,000. A general obligation bond issue will be used to cover the bulk of the costs in order to continue to take advantage of low interest rates. Also, several additional Public Works Department projects were shifted to the next fiscal year, i.e., FY 2014-15. These include resurfacing the Fleet Maintenance parking lot and replacing the roof on the main activity building at Sullivan Park. The road reconstruction of Fifth Avenue West was rescheduled for FY 2014-15.

In the Water and Sewer Fund this necessitated the delay of water system improvements on the east side of town and in the Etowah community to the north. Also affected were a sewer outfall planned for the east side of the system as well as the water and sewer line rehabilitation program. Some major equipment purchases and rehabilitation projects were shifted to future years. Management has been very deliberate in determining which equipment and rehabilitation projects that can be delayed for replacement in order not to create bigger problems in the future.

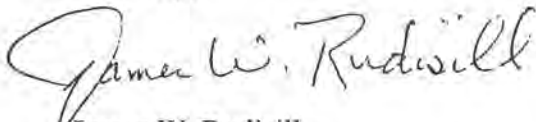
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012. This was the twenty-fourth consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

A handwritten signature in black ink that reads "James W. Rudisill". The signature is written in a cursive style with a large initial "J" and "R".

James W. Rudisill
Finance Director

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Government Finance Officers Association

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

Presented to

**City of Hendersonville
North Carolina**

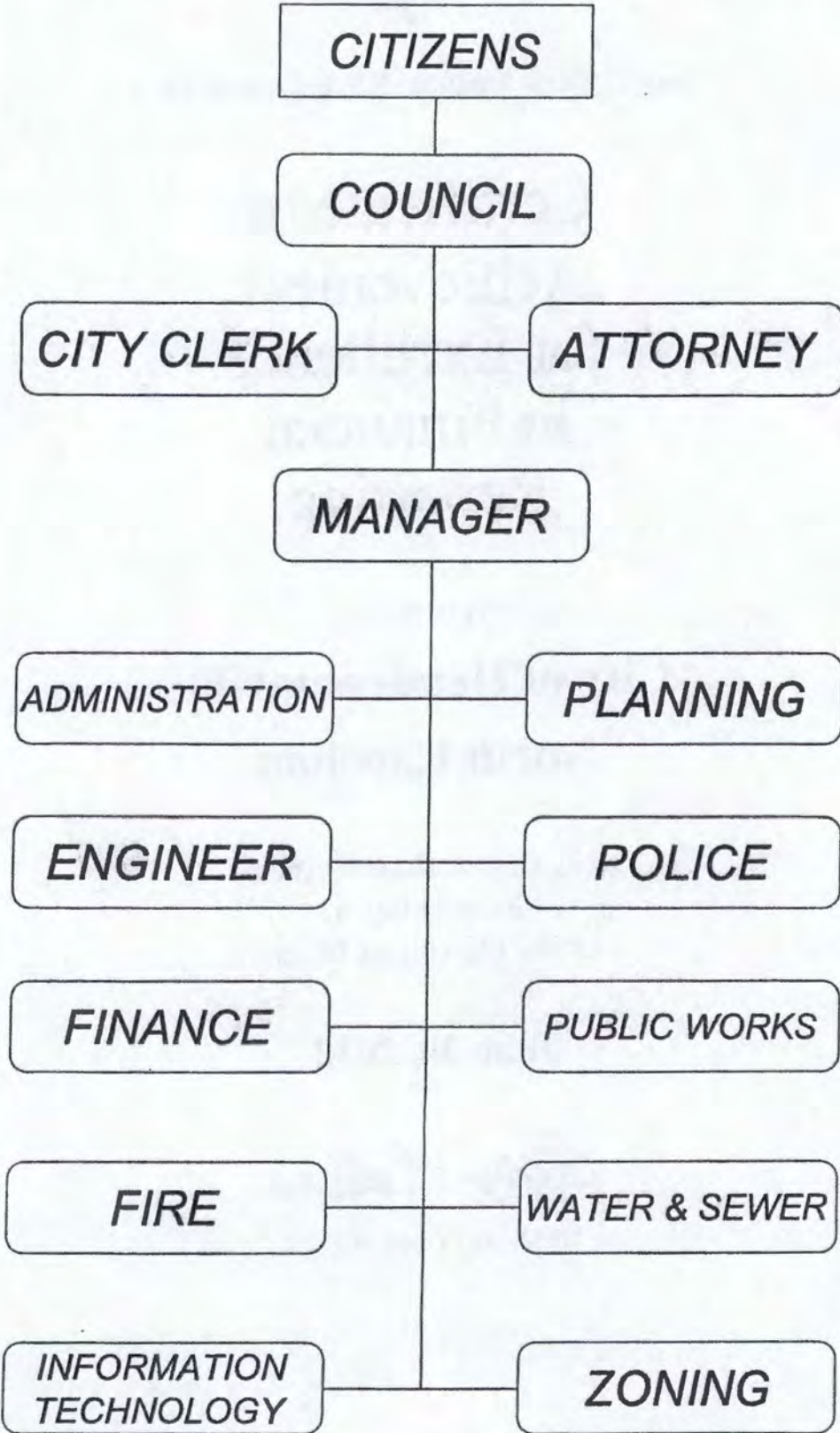
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF HENDERSONVILLE

Organizational Chart



CITY OF HENDERSONVILLE OFFICIALS

CITY COUNCIL

Mayor.....Barbara Volk

Mayor Pro-Tem.....Jeff Collis

Steve Caraker
Jerry A. Smith, Jr.
Ron Stephens

CITY STAFF

City Manager John F. Connet
City Clerk Tammie K. Drake
City Attorney. Sam H. Fritschner
Finance Director James W. Rudisill

FINANCIAL SECTION

**INDEPENDENT
AUDITORS' REPORT**



CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET * HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

F.E. Carland, CPA
Trish Cheek, CPA
Kellie C. Kanipe, CPA
George B. Lee, CPA
Harold C. Reid, CPA

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Hendersonville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions on pages 4 through 14 and pages 57 through 60, respectively, be resented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the City of Hendersonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the City of Hendersonville's internal control over financial reporting and compliance.

Ceund & Anderson, Inc.

Hendersonville, North Carolina
November 26, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hendersonville, we offer readers of Hendersonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

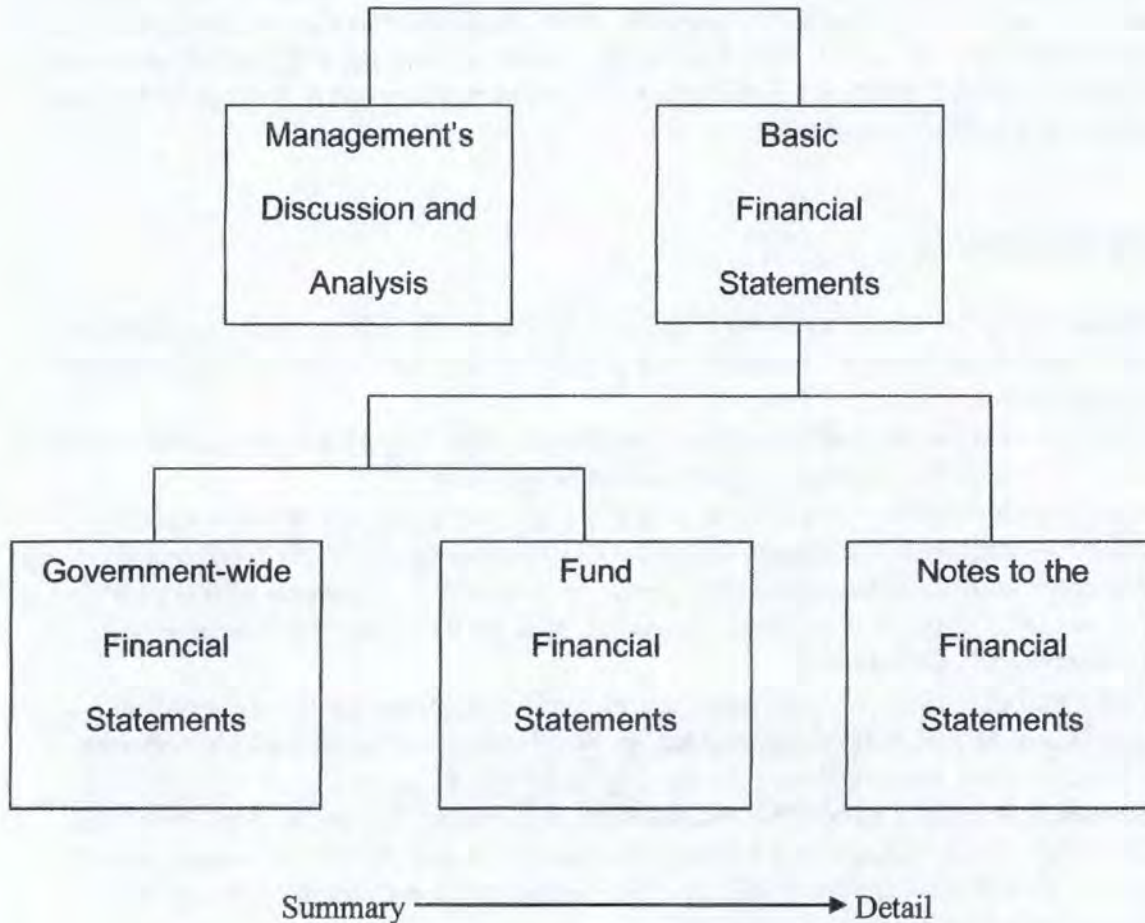
- The assets and deferred outflows of the City of Hendersonville *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$101,402,049 (*net position*).
- The City of Hendersonville's total net position *increased* by \$1,953,333 primarily due to an *increase* in the *business-type* activities net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,590,810 an *increase* of \$4,510,852 or 44 percent in comparison with the prior year. Approximately 47 percent of this total amount or \$6,410,105 is available for spending at the government's discretion, i.e., (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,410,105 or 55.6 percent of total general fund expenditures for the fiscal year.
- The City's total outstanding long-term debt, less reductions for annual principal payments, *increased* by \$3,790,824 or 13 per cent during the current fiscal year. The key factor in this increase was a loan in the amount of \$6,000,000 for construction of a new fire station, acquisition of a new fire engine and construction of Phase III of the City's Main Street Rehabilitation Project.
- Hendersonville maintained its bond rating of Aa2 with Moody's Investor Service and AA- with Standard & Poor's.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are ***Fund Financial Statements***. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

Proprietary Funds – The City of Hendersonville utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Hendersonville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the *Statement of Net Position and the Statement of Activities*. **Internal Service Funds** are an accounting device used to accumulate and allocate costs internally the City of Hendersonville's various functions. The City uses an internal service fund to account for the management of its retained risks associated with a modified type of self-insurance fund for medical insurance that the City provides for its employees. As a result of utilizing this type of fund, the City realized significant savings during FY 2013 of \$42,515.76. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate. The *Notes to the Financial Statements* are on pages 28- 56 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees. **Required Supplementary Information (RSI)** is mandated by the Governmental Accounting Standards Board (GASB) and can be found beginning on page 56 of this report.

Government-Wide Financial Analysis

The City of Hendersonville’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 14,865,725	\$ 10,588,320	\$ 27,094,057	\$ 32,917,072	\$ 41,959,782	\$ 43,505,392
Capital assets	21,930,890	20,325,958	74,465,819	68,202,614	96,386,703	88,528,572
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 36,796,615	\$ 30,914,278	\$ 101,559,876	\$ 101,119,686	\$ 138,356,491	\$ 132,033,964
Long-term liabilities outstanding	\$ 10,008,763	\$ 4,672,042	\$ 21,364,968	\$ 23,930,498	\$ 31,373,731	\$ 28,602,540
Other liabilities	1,651,867	1,188,524	3,703,412	2,604,844	5,355,279	3,793,368
Deferred inflows of resources	225,432	189,337	-	-	225,432	189,337
Total liabilities and deferred inflows of resources	\$ 11,886,062	\$ 6,049,903	\$ 25,068,380	\$ 26,535,342	\$ 36,954,442	\$ 32,585,245
Net position:						
Net investment in capital assets	\$ 17,077,486	\$ 17,530,422	\$ 51,168,791	\$ 51,057,598	\$ 68,246,277	\$ 68,588,020
Restricted	5,862,495	2,957,773	-	-	5,862,495	2,957,773
Unrestricted	1,970,572	4,376,180	25,322,705	23,526,746	27,293,277	27,902,926
Total net position	\$ 24,910,553	\$ 24,864,375	\$ 76,491,496	\$ 74,584,344	\$ 101,402,049	\$ 99,448,719

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the City of Hendersonville exceeded liabilities by **\$101,402,049** as of June 30, 2013. Hendersonville’s net assets *increased* by **\$1,953,330** for the fiscal year ended June 30, 2013. However, the largest portion (67.3%) reflects the City’s investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City’s net assets (5.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of **\$27,293,277** (26.9%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of **98.25%** despite the fact that the economy is still sluggish.

- Franchise tax collections for the year were up by **\$34,284** or 3.38% due to an increase in revenue from electricity and natural gas.
- NCDOT Street-Aid Allocation (Powell Bill) funds increased by **\$11,625** or 3.18% over the prior year distribution.
- Income from building permits and inspection fees increased by **\$27,737** due to an increase in vendor and zoning permits, and special project and conditional use fees over the prior year.
- Unrestricted intergovernmental revenue increased over last fiscal year by **\$169,400** or 4.7% due primarily to an increase in sales and use tax collections.

Governmental Activities. Governmental activities increased the City of Hendersonville's net position by **\$47,178** due to an overall increase in revenue. Key elements of this increase are as follows:

City of Hendersonville's Changes in Net Position

Figure 3

Revenues:

Program revenues:

Charges for services	\$ 462,293	\$ 424,402	\$ 14,636,764	\$ 14,899,357	\$ 15,099,057	\$ 15,323,759
Operating grants & contributions	646,346	925,970	-	-	646,346	925,970
Capital grants and contributions	-	390,000	-	122,019	-	512,019

General revenues:

Property taxes	6,988,246	6,950,622	-	-	6,988,246	6,950,622
Other taxes & fees	4,154,258	3,989,565	-	-	4,154,258	3,989,565

Grants & contributions not restricted

to specific programs	140,670	96,388	-	-	140,670	96,388
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Other revenue	51,724	58,860	219,540	35,758	271,264	94,618
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Total revenues	12,443,537	12,835,807	14,856,304	15,057,134	27,299,841	27,892,941
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Expenses:

General government	2,359,071	2,301,254	-	-	2,359,071	2,301,254
Public safety	6,281,514	6,910,168	-	-	6,281,514	6,910,168
Transportation	2,046,441	2,116,715	-	-	2,046,441	2,116,715
Parks & drainage	596,425	589,902	-	-	596,425	589,902
Economic development	311,086	405,416	-	-	311,086	405,416
Culture and recreation	200,928	237,833	-	-	200,928	237,833
Interest on long-term debt	231,074	197,996	-	-	231,074	197,996

Water and Sewer Fund			12,326,878	11,291,143	12,326,878	11,291,143
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Environmental Services Fund			993,094	1,064,379	993,094	1,064,379
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Total expenses	12,026,539	12,759,284	13,319,972	12,355,522	25,346,511	25,114,806
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Increase in net position before transfers	416,998	76,523	1,536,332	2,701,612	1,953,330	2,778,135
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Transfers	(370,820)	(300,995)	370,820	300,995		
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Increase in net position	46,178	(224,472)	1,907,152	3,002,607	1,953,330	2,778,135
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Net position, July 1	24,864,375	25,088,847	74,584,344	71,581,737	99,448,719	96,670,584
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Net position, June 30	\$ 24,910,553	\$ 24,864,375	\$ 76,491,496	\$ 74,584,344	\$ 101,402,049	\$ 99,448,719
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- Other taxes revenues increased **\$164,693** over the prior year. Most of the increase was due to an increase in sales and use tax collections.
- Charges for services under Business-type Activities decreased by **\$262,593** or 1.8%. The majority of the decrease was due to a decrease in revenue from water and sewer tap fees and system development charges.

Business-type Activities: Business-type activities increased the City's net position by **\$1,907,152** accounting for the total growth in the government's net position. Key elements of this increase are as follows:

- Increase in operating revenues associated with a water and sewer fee rate adjustment.
- Increase in other revenue received from the sale of fixed assets, insurance settlements and warranty fees for water and sewer line repair.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Hendersonville. At the end of the current fiscal year, unassigned fund balance of the General Fund was **\$6,410,105** while total fund balance reached **\$13,590,810**. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.6 percent of total General Fund expenditures. Total fund balance increased due to the **\$4,056,975** of proceeds of the \$6,000,000 loan that had not been expended as of June 30.

At June 30, 2013, the governmental funds of the City of Hendersonville reported a combined fund balance of **\$13,590,810**, a 44 percent increase over last year. Included in this change in fund balance are increases in the overall fund balance of the General Fund and in the Non-Major Funds. As explained earlier, the loan proceeds outstanding at June 30 in the Non-Major Funds caused most of the increase in fund balance. Local option sales tax and utility franchise tax revenue increased by **\$203,087**; however, this was offset by a drop in revenue received from video programming fees, telecommunications sales tax and Alcohol Beverage Control profit distributions of **\$39,642**. The state of the economy continues to affect revenues that have, historically, been much higher from year to year, i.e., local option sales tax distributions and interest income from investments. Overall General Fund revenues were up slightly when compared to last year by **\$79,022** or .67 percent. The Capital Reserve Fund decreased **\$293,970** due to a transfer to the General Fund for capital projects.

Expenditures in the General Fund were up when compared to last fiscal year by **\$247,119** or 2.2 percent. This majority of this increase was due to the overall increase in expenditures for general government and public safety. Spending for the Non-Major Funds was down by **\$286,384** or 10.5 percent. This decrease was due to less grant expenditures for two major grant projects: (1) FEMA – Staffing for Adequate Fire and Emergency Response (SAFER) Grant and (2) Oak Haven Community Development Block Grant. These grants were completed as of June 30, 2013.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally speaking, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily due to an increase in property tax collections of \$191,120, an upturn in sales tax collections of \$147,549 and an increase in utility franchise tax of \$55,538. Expenditures were more than the prior year due to an overall increase in departmental spending for capital outlay totaling \$355,127 and operating costs equaling \$155,277. During the year there was an increase in appropriations between the original and final amended budget totaling \$94,240. Following are the main components of the increase:

- **\$35,000** increase in total operating expenditures for the Information Technology Department.
- **\$59,240** overall increase in expenditures for transportation and park maintenance, drainage and lot clearing.

Non-major governmental fund revenues were less than budgeted amounts primarily due to the completion of the FEMA – SAFER Grant and the Oak Haven community Development Block Grant. There was also less overall spending for Capital Project Funds.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to **\$25,322,705** and those for the Environmental Services Fund (ESF) amounted to **\$580,175**. The total change in net position for both funds was **\$1,702,001** and **\$205,151** respectively. The negative amount for the ESF was due to the purchase of capital assets. Other factors concerning the finances of these funds were addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Hendersonville's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totaled **\$96,396,709** (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Construction of water and sewer lines and acquisition of equipment totaled **\$920,577**. (Equipment acquisition accounted for 58.4% of the total outlay.)
- Street paving, road repair and sidewalk maintenance totaled **\$349,978**.
- Police Department vehicles and equipment for a total cost of **\$145,650**. (Equipment acquisition accounted for 64.3% of the total outlay.)
- Capital outlay and equipment expenditures for Public Works totaling **\$188,133**. (Vehicle and equipment acquisition accounted for 58.9% of the total outlay.)
- Acquisition of a new fire engine totaling \$578,171.

City of Hendersonville's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,862,946	\$ 2,862,946	\$ 1,617,651	\$ 4,992,002	\$ 4,480,597	\$ 7,854,948
Buildings and systems	5,199,629	5,015,208	32,315,513	33,728,252	37,515,142	38,743,460
Improvements other than buildings	1,480,968	1,537,904	27,297,386	27,635,773	28,778,354	29,173,677
Machinery, equipment & software	459,551	407,337	11,619,002	527,416	12,078,553	934,753
Infrastructure	10,179,164	9,125,831	-	-	10,179,164	9,125,831
Vehicles and motorized equipment	1,748,632	1,376,732	1,616,267	1,319,171	3,364,899	2,695,903
Construction in progress	-	-	-	-	-	-
Total	\$ 21,930,890	\$ 20,325,958	\$ 74,465,819	\$ 68,202,614	\$ 96,396,709	\$ 88,528,572

Note: Capital assets are derived from the city's Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council.

Additional information on Hendersonville's capital assets can be found in *Note II-A* of the *Notes to the Financial Statements* on pages 40 and 41 for the Primary Government, and page 42 for the Alcohol Beverage Control Board which is classified as a Component Unit for the City of Hendersonville.

Long-term Debt. As of June 30, 2013, Hendersonville had total bonded debt outstanding of **\$2,250,000**. Of this total debt, the entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans secured solely by lien on the particular assets financed.

**City of Hendersonville's Outstanding Debt
General Obligation Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 2,250,000	\$ 2,440,000	\$ -	\$ -	\$ 2,250,000	\$ 2,440,000
Total	\$ 2,250,000	\$ 2,440,000	\$ -	\$ -	\$ 2,250,000	\$ 2,440,000

The City of Hendersonville's total debt service liability increased by a total of **\$6,000,000**, or 18.2% during the past fiscal year. This was primarily due to the city entering into an installment purchase agreement with Branch Banking and Trust for \$6,000,000 for construction of a new fire station, acquisition of a new fire engine and Main Street infrastructure improvements for Fiscal Year 2012-13. Some of this was offset by principal and interest payments made during the year.

As mentioned in the financial highlights section of this document, the City maintained its AA- bond rating from *Standard and Poor's Corporation* and Aa2 rating from *Moody's Investor Service*. This bond rating is a clear indication of the sound financial condition of the City of Hendersonville. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Hendersonville is **\$97,462,462**. The City borrowed a total of \$6,000,000 in new debt for installment purchase contracts related to the projects listed above in the General Fund as of June 30, 2013.

Additional information regarding the City of Hendersonville's long-term debt can be found in *Note B: Liabilities* on pages 49-51 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The County's unemployment rate of 6.6% was well below the State average of 8.8% as of June 30, 2013.
- Importance of manufacturing jobs. In today's economy manufacturing payroll amounts exceed tourism and agriculture combined.
- Approximately 200 businesses, including six major banks, are located in the Historic Downtown Hendersonville central business district.
- A diverse economy that includes manufacturing, agriculture, tourism, large retiree community and a vibrant downtown business district.
- Moderate climate and many attractions that make tourism a valuable part of the local economy as well as many civic, social, cultural and economic activities.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property taxes were budgeted conservatively at a 1.01 percent increase based upon estimates provided to the City by the Henderson County tax assessor. Sales and Use tax revenue was budgeted at a 1.1% increase over last year. This is due to the state of the economy trying to rebound from the past financial crisis and economic meltdown that continues to affect our revenue collections. Overall, budgeted revenues are estimated to be about 2.1 percent or \$227,070 more than the prior year. Budgeted expenditures in the General Fund are expected to increase by .03 percent, which represents an overall increase of \$43,330. Most of this increase is attributable to the increase in salaries, fringe benefits and operating expense of \$516,120 being offset by the decrease in capital outlay totaling \$550,500. Personnel costs increased due to meritorious and cost-of-living adjustments being budgeted for only the third time since FY 2008. The decrease in capital outlay is the result of several non-critical items that were re-prioritized for funding in future years.

Business-type Activities: The water and sewer volume rates in the City will increase for all customer classifications. The majority of City residential customers will see about a 2.5% increase. Total water and sewer appropriations will decrease by .01% with the majority of the decrease being attributable to fewer funds budgeted for capital outlay. Total personnel and operating costs will increase by \$547,070 or 6.88 percent. This was due to meritorious and cost-of-living adjustments that were budgeted for FY 2014 similar to what was done in the General Fund. Debt service increased by \$1,723,703 or 49.26 percent for principal and interest payments due for installment financing related to the completion of the automated metering reading project that was completed in FY 2013. The City also continued a wellness program that was initiated in FY 2013 to offer incentives to its employees that meet specific goals and objectives during the year. These incentives will be paid on a quarterly basis and are expected to continue to be very beneficial in getting employees to exercise and take better care of their selves. This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, 145 Fifth Avenue East, Hendersonville, North Carolina 28792. File: MSWORD
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**BASIC FINANCIAL
STATEMENTS**

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit I

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,679,738	\$ 23,767,697	\$ 32,447,435	\$ 89,316
Receivables (net)				
Taxes	145,216		145,216	
Accrued interest on taxes	23,839		23,839	
Accounts	29,455	1,627,627	1,657,082	522
Grants	44,705		44,705	
Shared taxes	663,204	1,215	664,419	
Refundable taxes	101,930	572,015	673,945	
Due from component unit	22,500		22,500	
Inventories		918,878	918,878	645,054
Prepaid items			0	30,194
Restricted cash	5,155,138	206,625	5,361,763	
Total current assets	<u>\$ 14,865,725</u>	<u>\$ 27,094,057</u>	<u>\$ 41,959,782</u>	<u>\$ 765,086</u>
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 2,862,946	\$ 1,617,651	\$ 4,480,597	\$ 640,091
Other capital assets, net of depreciation	19,067,944	72,848,168	91,916,112	1,004,235
Total capital assets	<u>\$ 21,930,890</u>	<u>\$ 74,465,819</u>	<u>\$ 96,396,709</u>	<u>\$ 1,644,326</u>
Total assets	<u>\$ 36,796,615</u>	<u>\$ 101,559,876</u>	<u>\$ 138,356,491</u>	<u>\$ 2,409,412</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 552,604	\$ 347,934	\$ 900,538	\$ 142,171
Salaries payable	127,866	57,808	185,674	
Customer deposits		206,625	206,625	
Accrued interest payable	88,063	421,834	509,897	
Due to primary government				22,500
Current portion of long-term liabilities	883,334	2,669,211	3,552,545	192,800
Total current liabilities	<u>\$ 1,651,867</u>	<u>\$ 3,703,412</u>	<u>\$ 5,355,279</u>	<u>\$ 357,471</u>
Long-term liabilities due in more than one year	<u>\$ 10,008,763</u>	<u>\$ 21,364,968</u>	<u>\$ 31,373,731</u>	
Total liabilities	<u>\$ 11,660,630</u>	<u>\$ 25,068,380</u>	<u>\$ 36,729,010</u>	<u>\$ 357,471</u>
Deferred inflows of resources:				
Prepaid taxes	\$ 225,432		\$ 225,432	
Total deferred inflows of resources	<u>\$ 225,432</u>	<u>\$ 0</u>	<u>\$ 225,432</u>	<u>\$ 0</u>
Net position:				
Net investment in capital assets	\$ 17,077,486	\$ 51,168,791	\$ 68,246,277	\$ 1,451,526
Restricted for:				
Stabilization by State Statute	817,089		817,089	
Economic development	127,605		127,605	
Law enforcement	97,471		97,471	
Fire protection	3,191,465		3,191,465	
Streets	289,674		289,674	
Transportation	1,339,191		1,339,191	
Capital improvements				30,629
Working capital				150,474
Unrestricted	<u>1,970,572</u>	<u>25,322,705</u>	<u>27,293,277</u>	<u>419,312</u>
Total net position	<u>\$ 24,910,553</u>	<u>\$ 76,491,496</u>	<u>\$ 101,402,049</u>	<u>\$ 2,051,941</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental Activities:				
General government	\$ 2,359,071			
Public safety	6,281,514	\$ 219,158	\$ 269,231	
Transportation	2,046,441	75,042	377,115	\$
Parks and drainage	596,425	5,500		
Economic and physical development	311,086			
Cultural and recreational	200,928	162,593		
Interest on long-term debt	231,074			
Total governmental activities (Note 1)	\$ 12,026,539	\$ 462,293	\$ 646,346	\$ 0
Business-type activities:				
Water and Sewer	\$ 12,326,878	\$ 13,708,469		
Environmental Service Fund	993,094	928,295		
Total business-type activities	\$ 13,319,972	\$ 14,636,764		0
Total primary government	\$ 25,346,511	\$ 15,099,057	\$ 646,346	\$ 0
Component Unit:				
ABC Board	\$ 3,862,393	\$ 3,935,014		
Total component unit	\$ 3,862,393	\$ 3,935,014		

General revenues:

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

Change in net position

Net position - beginning, July 1

Net position - ending, June 30

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (2,359,071)		\$ (2,359,071)	
(5,793,125)		(5,793,125)	
(1,594,284)		(1,594,284)	
(590,925)		(590,925)	
(311,086)		(311,086)	
(38,335)		(38,335)	
(231,074)		(231,074)	
<u>\$ (10,917,900)</u>		<u>\$ (10,917,900)</u>	
	\$ 1,381,591	\$ 1,381,591	
	(64,799)	(64,799)	
	<u>\$ 1,316,792</u>	<u>\$ 1,316,792</u>	
<u>\$ (10,917,900)</u>	<u>\$ 1,316,792</u>	<u>\$ (9,601,108)</u>	
			<u>\$ 72,621</u>
			<u>\$ 72,621</u>
\$ 6,988,246		\$ 6,988,246	
2,507,710		2,507,710	
1,048,035		1,048,035	
536,100		536,100	
62,413		62,413	
140,670		140,670	
12,107	\$ 15,032	27,139	\$ 1,373
39,617	204,508	244,125	
(370,820)	370,820		
<u>\$ 46,178</u>	<u>\$ 1,907,152</u>	<u>\$ 1,953,330</u>	<u>73,994</u>
<u>24,864,375</u>	<u>74,584,344</u>	<u>99,448,719</u>	<u>1,977,947</u>
<u>\$ 24,910,553</u>	<u>\$ 76,491,496</u>	<u>\$ 101,402,049</u>	<u>\$ 2,051,941</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit 3

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 8,335,735	\$ 120,732	\$ 8,456,467
Restricted cash and cash equivalents	387,145	4,767,993	5,155,138
Receivables (net)			
Taxes	138,520	6,696	145,216
Accounts	29,297	158	29,455
Grants		44,705	44,705
Shared taxes	663,204		663,204
Refundable taxes	90,834	11,096	101,930
Due from component unit	22,500		22,500
	<u>\$ 9,667,235</u>	<u>\$ 4,951,380</u>	<u>\$ 14,618,615</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 255,083	\$ 196,187	\$ 451,270
Salaries payable	126,905	961	127,866
Retainages payable		78,021	78,021
	<u>\$ 381,988</u>	<u>\$ 275,169</u>	<u>\$ 657,157</u>
Deferred inflows of resources			
Property taxes receivable	\$ 138,520	\$ 6,696	\$ 145,216
Prepaid taxes	225,432		225,432
	<u>\$ 363,952</u>	<u>\$ 6,696</u>	<u>\$ 370,648</u>
Fund balances:			
Restricted			
Stabilization by State Statute	\$ 805,835	\$ 11,254	\$ 817,089
Economic development		42,765	42,765
Law enforcement	97,471		97,471
Fire protection		3,191,465	3,191,465
Streets	289,674		289,674
Transportation		1,339,191	1,339,191
Assigned			
Subsequent year's expenditures	1,318,210	84,840	1,403,050
Unassigned	6,410,105		6,410,105
	<u>\$ 8,921,295</u>	<u>\$ 4,669,515</u>	<u>\$ 13,590,810</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,667,235</u>	<u>\$ 4,951,380</u>	<u>\$ 14,247,967</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit 3

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Gross capital assets at historical cost	\$ 36,432,765	
Accumulated depreciation	<u>14,501,875</u>	
Capital assets, net of depreciation		\$ 21,930,890
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		23,839
Internal service funds are used by management to charge the costs of certain activities, such as administering employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		199,958
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Property taxes receivable		145,216
Long-term and accrued liabilities are not reported in the funds, including:		
Accrued interest payable	\$ (88,063)	
Bonds payable	(2,250,000)	
Notes payable	(7,283,334)	
Compensated absences payable	(534,890)	
Other post-employment benefits	(467,967)	
Net pension benefit-Special Separation Allowance	<u>(355,906)</u>	<u>(10,980,160)</u>
Total adjusting items		\$ 11,319,743
Total fund balance, governmental funds		<u>13,590,810</u>
Net position of governmental activities		<u>\$ 24,910,553</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 4

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,786,120	\$ 257,831	\$ 7,043,951
Other taxes and licenses	531,600		531,600
Unrestricted intergovernmental	3,600,387	103,100	3,703,487
Restricted intergovernmental	524,386	221,626	746,012
Permits and fees	49,630		49,630
Sales and services	245,360		245,360
Investment earnings	10,909	1,057	11,966
Miscellaneous	105,228	36,535	141,763
Total revenues	\$ 11,853,620	\$ 620,149	\$ 12,473,769
Expenditures:			
General government	\$ 2,374,576		\$ 2,374,576
Public safety	6,341,368	\$ 657,854	6,999,222
Transportation	1,529,982	1,464,138	2,994,120
Parks and drainage	463,889		463,889
Economic and physical development		310,160	310,160
Cultural and recreational	200,928		200,928
Debt service:			
Principal	423,333		423,333
Interest and fees	185,869		185,869
Total expenditures	\$ 11,519,945	\$ 2,432,152	\$ 13,952,097
Revenues over (under) expenditures	\$ 333,675	\$ (1,812,003)	\$ (1,478,328)
Other financing sources (uses):			
Proceeds of debt	\$ 600,000	\$ 5,400,000	\$ 6,000,000
Transfers in (out) :			
Enterprise funds	(370,820)		(370,820)
General Fund / Capital Project Fund	(72,600)	\$ 72,600	
General Fund / Special Revenue Fund	61,920	(61,920)	
Total other financing sources (uses)	\$ 218,500	\$ 5,410,680	\$ 5,629,180
Net change in fund balances	\$ 552,175	\$ 3,598,677	\$ 4,150,852
Fund balances:			
Beginning of year, July 1	8,369,120	1,070,838	9,439,958
End of year, June 30	\$ 8,921,295	\$ 4,669,515	\$ 13,590,810

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 4

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

Governmental funds report capital outlays as expenditures.	\$ 2,815,434	
However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,202,949)</u>	
The amount by which capital outlays exceeded depreciation in the current period was		\$ 1,612,485
 The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals is to decrease net assets		 (7,553)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(55,706)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect		
New long-term debt issued	\$ (6,000,000)	
Principal payments on long-term debt	423,333	
Increase in accrued interest payable	<u>(45,205)</u>	
This amount is the net effect		(5,621,872)
 Consolidation adjustment for inclusion of Internal Service Fund		
Net revenue of Internal Service Fund		33,026
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (19,616)	
Change in other post-employment benefits	(42,029)	
Change in net pension obligation	<u>(3,409)</u>	<u>(65,054)</u>
 Total adjusting items		 \$ (4,104,674)
 Net changes in fund balances - total governmental funds		 <u>4,150,852</u>
 Total changes in net position of governmental activities		 <u>\$ 46,178</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,595,000	\$ 6,595,000	\$ 6,786,120	\$ 191,120
Other taxes and licenses	307,000	307,000	531,600	224,600
Unrestricted intergovernmental	3,222,330	3,222,330	3,600,387	378,057
Restricted intergovernmental	430,840	435,840	524,386	88,546
Permits and fees	29,100	29,100	49,630	20,530
Sales and services	209,500	209,500	245,360	35,860
Investment earnings	9,100	9,100	10,909	1,809
Miscellaneous	40,100	41,185	105,228	64,043
Total revenues	\$ 10,842,970	\$ 10,849,055	\$ 11,853,620	\$ 1,004,565
Expenditures:				
General government	\$ 2,451,390	\$ 2,486,390	\$ 2,374,576	\$ 111,814
Public safety	6,450,150	6,450,150	6,341,368	108,782
Transportation	1,638,200	1,696,192	1,529,982	166,210
Parks and drainage	491,970	493,218	463,889	29,329
Cultural and recreational	214,230	214,230	200,928	13,302
Debt service:				
Principal	489,750	489,750	423,333	66,417
Interest and fees	220,780	220,780	185,869	34,911
Total expenditures	\$ 11,956,470	\$ 12,050,710	\$ 11,519,945	\$ 530,765
Revenues over (under) expenditures	\$ (1,113,500)	\$ (1,201,655)	\$ 333,675	\$ 1,535,330
Other financing sources (uses):				
Proceeds of debt	\$ 600,000	\$ 600,000	\$ 600,000	
Transfers in (out) :				
Enterprise funds	(370,820)	(370,820)	(370,820)	
Nonmajor special revenue funds (net)	61,920	61,920	61,920	
Nonmajor capital project funds	(45,000)	(72,600)	(72,600)	
Health & Welfare Self-Insurance Fund	(157,810)			
Contingencies budgeted (expenditures)	(150,000)	(150,000)		\$ 150,000
Fund balance appropriated	1,175,210	1,133,155		(1,133,155)
Total other financing sources (uses)	\$ 1,113,500	\$ 1,201,655	\$ 218,500	\$ (983,155)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 552,175	\$ 552,175
Fund balances:				
Beginning of year, July 1			8,369,120	
End of year, June 30			<u>\$ 8,921,295</u>	

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Exhibit 6

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 570,651	\$ 23,197,046	\$ 23,767,697	\$ 223,271
Accounts receivable (net)-billed	66,521	879,383	945,904	
Accounts receivable (net)-unbilled	45,564	636,159	681,723	
Sales taxes refundable	2,584	569,431	572,015	
Shared taxes receivable	1,215		1,215	
Inventories		918,878	918,878	
Restricted cash and cash equivalents		206,625	206,625	
Total current assets	\$ 686,535	\$ 26,407,522	\$ 27,094,057	\$ 223,271
Noncurrent assets:				
Land and other non-depreciable assets		\$ 1,617,651	\$ 1,617,651	
Other capital assets, net of depreciation	\$ 675,959	72,172,209	72,848,168	
Capital assets (net)	\$ 675,959	\$ 73,789,860	\$ 74,465,819	\$ 0
Total noncurrent assets	\$ 675,959	\$ 73,789,860	\$ 74,465,819	\$ 0
Total Assets	\$ 1,362,494	\$ 100,197,382	\$ 101,559,876	\$ 223,271
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 24,834	\$ 323,100	\$ 347,934	\$ 23,313
Salaries payable	7,743	50,065	57,808	
Customer deposits		206,625	206,625	
Accrued bond and note interest		421,834	421,834	
Compensated absences-current	7,000	61,000	68,000	
Notes payable -current		2,601,211	2,601,211	
Total current liabilities	\$ 39,577	\$ 3,663,835	\$ 3,703,412	\$ 23,313
Noncurrent liabilities:				
Compensated absences	\$ 17,596	\$ 143,436	\$ 161,032	
Other postemployment benefits	49,187	252,307	301,494	
Notes payable		20,902,442	20,902,442	
Total noncurrent liabilities	\$ 66,783	\$ 21,298,185	\$ 21,364,968	\$ 0
Total Liabilities	\$ 106,360	\$ 24,962,020	\$ 25,068,380	\$ 23,313
NET POSITION				
Net investment in capital assets	\$ 675,959	\$ 49,864,373	\$ 51,168,791	
Unrestricted	580,175	25,370,989	25,322,705	\$ 199,958
Total Net Position	\$ 1,256,134	\$ 75,235,362	\$ 76,491,496	\$ 199,958

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 7

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Operating revenues:				
Charges for services	\$ 920,816	\$ 13,030,193	\$ 13,951,009	\$ 291,180
Other operating revenues	7,479	678,276	685,755	22,001
Total operating revenues	\$ 928,295	\$ 13,708,469	\$ 14,636,764	\$ 313,181
Operating expenses:				
Administration		\$ 847,210	\$ 847,210	
Business operations		977,173	977,173	
Water treatment and distribution		4,551,230	4,551,230	
Waste collection and treatment	\$ 896,391	2,156,209	3,052,600	
Risk management and employee benefits			0	\$ 280,296
Depreciation	96,703	3,088,145	3,184,848	
Total operating expenses	\$ 993,094	\$ 11,619,967	\$ 12,613,061	\$ 280,296
Operating income (loss)	\$ (64,799)	\$ 2,088,502	\$ 2,023,703	\$ 32,885
Non-operating revenues (expenses):				
Interest earned on investments	\$ 10	\$ 15,022	\$ 15,032	\$ 141
Other		204,508	204,508	
Interest on long-term debt		(706,911)	(706,911)	
Total non-operating revenues (net)	\$ 10	\$ (487,381)	\$ (487,371)	\$ 141
Income (loss) before transfers	\$ (64,789)	\$ 1,601,121	\$ 1,536,332	\$ 33,026
Transfer from General Fund	269,940	100,880	370,820	
Change in net position	\$ 205,151	\$ 1,702,001	\$ 1,907,152	\$ 33,026
Total net position - beginning, July 1	1,050,983	73,533,361	74,584,344	166,932
Total net position - ending, June 30	\$ 1,256,134	\$ 75,235,362	\$ 76,491,496	\$ 199,958

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 8

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Environmental Service Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Fund Health and Welfare Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 907,150	\$ 13,004,083	\$ 13,911,233	\$ 291,180
Cash paid for goods and services	(398,515)	(5,052,055)	(5,450,570)	(266,644)
Cash paid to employees for services	(485,450)	(4,003,474)	(4,488,924)	
Customer deposits received		104,700	104,700	
Customer deposits returned		(81,300)	(81,300)	
Other operating revenue	8,337	729,882	738,219	22,001
Net cash provided (used) by operating activities	<u>\$ 31,522</u>	<u>\$ 4,701,836</u>	<u>\$ 4,733,358</u>	<u>\$ 46,537</u>
Cash flows from noncapital and financing related activity:				
Operating subsidy-General Fund	<u>\$ 269,940</u>	<u>\$ 100,880</u>	<u>\$ 370,820</u>	
Net cash provided by noncapital and related financing activity	<u>\$ 269,940</u>	<u>\$ 100,880</u>	<u>\$ 370,820</u>	<u>\$ 0</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (114,502)	\$ (9,282,262)	\$ (9,396,764)	
Capital grants	104,250		104,250	
Sale of capital assets		143,277	143,277	
Principal paid on notes		(1,785,841)	(1,785,841)	
Interest on notes		(446,927)	(446,927)	
Net cash provided (used) by capital and related financing activities	<u>\$ (10,252)</u>	<u>\$ (11,371,753)</u>	<u>\$ (11,382,005)</u>	<u>\$ 0</u>
Cash flows from investing activities:				
Interest on investments	\$ 11	15,023	15,034	\$ 141
Net cash provided by investing activities	<u>\$ 11</u>	<u>\$ 15,023</u>	<u>\$ 15,034</u>	<u>\$ 141</u>
Net increase / (decrease) in cash and cash equivalents	\$ 291,221	\$ (6,554,014)	\$ (6,262,793)	\$ 46,678
Cash and cash equivalents:				
Balances - beginning of year	<u>279,430</u>	<u>29,957,685</u>	<u>30,237,115</u>	<u>176,593</u>
Balances - end of year	<u>\$ 570,651</u>	<u>\$ 23,403,671</u>	<u>\$ 23,974,322</u>	<u>\$ 223,271</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 8

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (64,799)	\$ 2,088,502	\$ 2,023,703	\$ 32,885
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	\$ 96,703	\$ 3,088,145	\$ 3,184,848	
Increase (decrease) in allowance for uncollectible accounts	1,389	7,515	8,904	
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(15,056)	(143,103)	(158,159)	
Refundable taxes receivable	2,618	(428,725)	(426,107)	
Shared taxes receivable	857		857	
Inventory		(77,207)	(77,207)	
(Decrease) increase in liabilities:				
Accounts payable and accrued liabilities	1,771	113,423	115,194	\$ 13,652
Salaries payable	288	(1,044)	(756)	
Customer deposits		23,400	23,400	
Compensated absences payable	3,333	8,270	11,603	
Other postemployment benefits	4,418	22,660	27,078	
Total adjustments	\$ 96,321	\$ 2,613,334	\$ 2,709,655	\$ 13,652
Net cash provided (used) by operating activities	\$ 31,522	\$ 4,701,836	\$ 4,733,358	\$ 46,537

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 9

June 30, 2013

ASSETS

Cash

\$ 306

LIABILITIES

Intergovernmental payable -
Henderson County Board of Public Education

\$ 306

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

**NOTES TO FINANCIAL
STATEMENTS**

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Hendersonville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government and its discretely presented component units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY - PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING:

The City of Hendersonville is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the city is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City. The City does not have any fiduciary funds of its own, nor component units that are fiduciary in nature.

City of Hendersonville Board of Alcoholic Control:

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

B. BASIS OF PRESENTATION -- FUND ACCOUNTING:

Government-wide statements:

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
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JUNE 30, 2013

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and the maintenance of City properties. The General Fund pays interest and principal on long-term debt issued for governmental purposes.

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City has five nonmajor Special Revenue Funds:

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. Governor's Highway Safety Program – Bike Safe Hendersonville Program was established to administer a federal grant to promote safe motorcycling.
4. FEMA – Staffing for Adequate Fire and Emergency Rescue (SAFER) Program Grant Fund was established to administer a federal grant to provide funds for salaries and benefits of additional firemen.
5. Oakdale Cemetery Historic Nomination Grant Fund was established to administer a state grant to provide funding qualifying the City's historic cemetery, with it's statute that inspired Thomas Wolfe's "Look Homeward Angel" for designation on the Natural Registry of Historic Places.

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

2. Main Street Infrastructure Improvement Project Fund was established to account for the substantial renovation of several blocks of Main Street, in the Central Business District. Construction is being undertaken over a period of several years, one block at a time, during the tourist off-season, to avoid disruption of downtown commerce.

3. East Side Fire Station Construction Project Fund was established to account for the construction of a fire station on the east side of the City. The land was purchased in 2010, and construction began in 2012. .

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City of Hendersonville has two major Enterprise Funds: (1) the Environmental Service Fund, formerly the Solid Waste Fund and (2) the Water and Sewer Fund. Debt service and long-term obligations of these funds are recorded within the respective funds.

Internal Service Funds - Internal Service Funds are used to report on any activity that provides goods or services to other funds, departments, or agencies of the government, on a cost-reimbursement basis. The City has one internal service fund, the Health and Welfare Fund, which is used to administer payments for employee health claims. Expenditures of benefits to City staff, employed by the General Fund, the Downtown Tax District Fund, the Water and Sewer Fund and the Environmental Service Fund are not eliminated in the preparation of consolidating for financial statement purposes.

The City reports the following agency fund type:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements:

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services related to garbage collection and water and sewer distribution and collection. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements:

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

The City considers all revenues available if they are collected within 120 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

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Effective with this change in the law, Henderson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Hendersonville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Henderson County from March, 2012 through February, 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Certain revenues susceptible to accrual are franchise taxes, special assessments, interest revenue, and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City also are recognized as revenue. Fines, permits, licenses and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. BUDGETARY DATA:

Budget:

The North Carolina Local Government Budget and Fiscal Control Act (General Statute 159, Article 3) requires the adoption of a balanced budget on an annual basis by July 1. A budget calendar is included in the general statutes which prescribes the last day on which certain steps of the budget process are to be performed. The City Council adopted the budget ordinance on June 6, 2012. Project ordinances are adopted for any new capital or grant projects and stay in effect for the life of the project(s). All annual appropriations lapse at fiscal year-end. Annual budgets are adopted for all funds, except capital projects funds and special revenue grant project funds. Capital projects funds and special revenue grant project funds adopt budgets which run the lengths of the projects. Enterprise capital project funds are consolidated with their respective operating funds for reporting purposes.

The annual budget is prepared on the modified accrual basis of accounting as required by General Statute 159-26(c), which is consistent with the accounting system used to record transactions. Budgetary control is maintained in all funds. Appropriations are made at the object level and may be amended as necessary by the governing board. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by the governing board.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The budget is amended throughout the year as the needs of the city require. Several supplementary appropriations were necessary during the year; however, the effect on total budgeted appropriations was not material. The budget amounts shown in the financial statements represent both the initially adopted budget, and the budget as amended at June 30, 2013, which includes all supplemental appropriations enacted during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY:

Deposits and Investments:

All deposits of the City and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-31) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest, by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual current balance for interest-bearing deposits.

Cash and Cash Equivalents:

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

Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Cash equivalents have an original maturity date of three months or less from the date of purchase.

The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

CITY OF HENDERSONVILLE, NORTH CAROLINA
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Restricted Assets:

In the general fund, court-awarded amounts received from drug forfeitures are shown as restricted cash, as their use is restricted to law enforcement purposes. Also, Powell Bill funds are also classified as restricted cash, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4.

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

The unexpended proceeds of bank notes payable, Main Street Infrastructure Improvement and Fire Station Construction Fund are classified as restricted assets for these capital project funds, because their use is completely restricted to the purpose for which the notes were issued.

In the special revenue funds, unspent grant revenues are shown as restricted, because they may only be used for the purpose of the grant.

Ad Valorem Taxes Receivable:

In accordance with North Carolina General Statutes 105-347 and 159-13(a), ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due and payable on September 1; however, no penalties or interest are assessed until the following January 6. The City does not provide for discounts for taxes paid prior to the due date. The taxes are based on the assessed values as of January 1. A lien on the real property becomes enforceable January 1.

Allowances for Doubtful Accounts:

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the amount of receivables, as compared to the original levy, written off in prior years, on a running ten- year average.

Inventories:

Inventories are maintained for all Enterprise Fund materials, fuel and supplies. All inventories are valued at cost, using the first-in/first-out (FIFO) method of valuation. Purchases of inventory-type items are charged to the inventory account during the year. Reductions are recorded when consumed and the balance is adjusted at year-end, if needed, to reflect actual quantities on hand. The City uses the consumption method to report inventories.

Inventories of the ABC Board are valued at cost, using the first-in/ first-out (FIFO) method of valuation. The inventory consists of expendable supplies and alcoholic beverages for sale and is recorded as an expense when consumed.

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NOTES TO THE FINANCIAL STATEMENTS

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Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the road, sidewalk, bridge and curb, gutter, and drain systems that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost, using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

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

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

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

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

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only two items that meet the criterion for this category – prepaid taxes and property taxes receivable..

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Long-Term Obligations:

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

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

Compensated Absences:

The vacation policy of the City generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. The ABC Board's policy allows for thirty (30) days. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first out method of using accumulated compensated time. The current portion of that time which is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. Liquidation of the liability for vacation pay is carried as an expenditure in the fund by which the employee is paid. During the current year, as in prior years, governmental function employees are compensated by the General Fund and the Downtown Tax District Fund. Enterprise Fund employees are compensated by either the Water and Sewer Fund or the Environmental Service Fund.

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Upon retirement, employees can convert unused sick leave into additional service time, for benefits under the State's pension plan. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances:

Net Position

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Balances

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City has none of these.

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

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

Restricted for Economic Development - Fund balance that is restricted by enabling legislation to being used in special tax districts for which an additional property tax is levied.

Restricted for Law Enforcement – Portion of fund balance restricted by revenue source for use in law enforcement, due to the source being from federal and state drug forfeitures and controlled substance tax.

Restricted for Fire Protection – Portion of fund balance restricted by commercial lender for use in construction of new Fire Station.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Transportation – Unspent bond proceeds which must be spent on sidewalk construction, and unspent commercial loan proceeds restricted for use in Main Street Infrastructure Improvement capital project fund..

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS:

Deposits:

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two options. Under the Dedicated Option, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Option, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by their agents in their names.

The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual balance for interest-bearing deposits. Depositories using the Pooling Option report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows; however, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Both the City and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. The City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

At June 30, 2013, the City's deposits had a carrying amount of \$7,275,511 and a bank balance of \$7,411,404. At June 30, 2013 the City's petty cash fund totaled \$6,050.

Of the bank balance at June 30, 2013, \$1,476,595 was covered by federal depository insurance, \$0.00 was covered by collateral held by the pledging bank's agent in the City's name under the Dedicated Option method of collateralization; and \$5,934,809 was covered by collateral held by an authorized escrow agency in the State Treasurer's name under the Pooling Option collateralization method. All bank balances of deposits maintained by financial institutions utilizing the Pooling Option at June 30, 2013, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2013, the ABC Board's deposits had a carrying amount of \$82,316 and a bank balance of \$295,414. Federal Depository Insurance covered \$250,000 of the bank balance. The remainder is collateralized under the Pooling Method.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

Investments:

At June 30, 2013, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$28,811,052	N/A	AAAm
NC Capital Management Trust – Term Portfolio	1,716,891	.3 years	Unrated
Total	\$30,527,943		

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Depository Policy: The City has no formal policy regarding the collateralization of deposits, however all balances maintained with financial institutions were either entirely insured or collateralized utilizing the Pooling Option, with securities held by the state or its agent in the state's name.

Receivables—Allowances for Doubtful Accounts:

The amounts shown in Exhibit 1 for receivables are net of the following allowances for doubtful accounts:

General Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 151,720
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 5,290
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 232
Governmental Funds: Allowance for Uncollectible Accrued Interest on Property Taxes	\$ 25,292
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 12,977
Environmental Service Fund: Allowance for Uncollectible Accounts Receivable	\$ 1,389

Deferred / Unearned Revenues:

The balance in deferred inflows of resources at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General Fund)	\$ 138,520	
Prepaid property taxes (General Fund)		\$ 2,440
Prepaid privilege licenses (General Fund)		222,992
Taxes receivable (Special Revenue Funds)	6,696	
Unspent grants (Special Revenue Funds)	_____	_____ 0
Totals	<u>\$ 159,750</u>	<u>\$ 225,432</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

Governmental activities:	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 2,862,946	_____	_____	\$ 2,862,946
Total	<u>\$ 2,862,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,862,946</u>
Capital assets being depreciated:				
Buildings	\$ 7,945,700	\$ 436,228		\$ 8,381,928
Other improvements	3,844,785	\$ 81,492		3,926,277
Equipment	1,182,791	\$ 150,092	14,631	1,318,252
Software	107,961			107,961
Vehicles	3,853,556	683,484	145,278	4,391,762
Infrastructure	13,979,500	1,464,138	_____	15,443,638
Totals	<u>\$ 30,914,293</u>	<u>\$ 2,815,434</u>	<u>\$ 159,909</u>	<u>\$ 33,569,818</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 2,930,492	\$ 251,807		\$ 3,182,299
Other improvements	2,306,881	138,428		2,445,309
Equipment	835,270	76,286	14,631	896,925
Software	48,145	21,592		69,737
Vehicles	2,476,824	304,030	137,724	2,643,130
Infrastructure	4,853,669	410,805	_____	5,264,474
Totals	<u>\$ 13,451,281</u>	<u>\$ 1,202,948</u>	<u>\$ 152,355</u>	<u>\$ 14,501,874</u>
Assets being depreciated, net	<u>\$ 17,463,012</u>	<u>\$ 1,612,486</u>	<u>\$ 7,554</u>	<u>\$ 19,067,944</u>
Governmental-type capital assets, net	<u>\$ 20,325,958</u>			<u>\$ 21,930,890</u>
General Government		\$ 140,695		
Public Safety		383,261		
Transportation		539,165		
Parks		139,828		
Total depreciation expense		<u>\$ 1,202,949</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
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Business-type activities:	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Environmental Service Fund:				
Capital assets being depreciated:				
Vehicles	\$ 1,213,979	\$ 114,502	-	\$ 1,328,481
Less accumulated depreciation for:				
Vehicles	\$ 555,819	\$ 96,703	-	\$ 652,522
Solid Waste Fund:				
Capital assets, net	<u>\$ 658,160</u>			<u>\$ 675,959</u>
Water & Sewer Fund:				
Land	\$ 1,491,966	\$ 20,491		\$ 1,512,457
Construction	<u>3,500,035</u>	<u>8,229,045</u>	<u>\$ 11,623,886</u>	<u>105,194</u>
Total	<u>\$ 4,992,001</u>	<u>\$ 8,249,536</u>	<u>\$ 11,623,886</u>	<u>\$ 1,617,651</u>
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	42,998,361	\$ -		42,998,361
Lines and related equipment	36,399,720	535,513		36,935,233
Equipment	1,257,634	11,758,620		13,016,254
Vehicles	1,702,516	413,768	\$ 129,389	1,986,896
Tanks and reservoirs	<u>4,540,944</u>	<u>-</u>		<u>4,540,944</u>
Totals	<u>\$ 88,551,914</u>	<u>\$ 12,707,901</u>	<u>\$ 129,389</u>	<u>\$ 101,130,427</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 590,648	\$ 55,091		\$ 645,739
Treatment facilities	10,332,200	1,357,648		11,689,848
Lines and related equipment	11,991,316	741,760		12,733,076
Equipment	730,218	667,034		1,397,252
Vehicles	1,041,505	134,472	\$ 129,389	1,046,588
Tanks and reservoirs	<u>1,313,575</u>	<u>132,140</u>		<u>1,445,715</u>
Totals	<u>\$ 25,999,462</u>	<u>\$ 3,088,145</u>	<u>\$ 129,389</u>	<u>\$ 28,958,218</u>
Assets being depreciated, net	<u>\$ 62,552,452</u>	<u>\$ 9,619,756</u>	<u>\$ -</u>	<u>\$ 72,172,209</u>
Water & Sewer Fund capital assets, net	<u>\$ 67,544,453</u>			<u>\$ 73,789,860</u>
Business-type capital assets, net	<u>\$ 68,202,613</u>			<u>\$ 74,465,819</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
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Capital asset activity for the ABC Board for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 640,091			\$ 640,091
Construction in progress	-			-
Totals	<u>\$ 640,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 640,091</u>
Capital assets being depreciated:				
Buildings	\$ 600,554	\$ 452,638		\$ 1,053,192
Real estate improvements	227,899			227,899
Furniture and equipment	159,544	78,726		238,270
Vehicles	26,646			26,646
Computer equipment & software	68,799	17,551		86,350
Totals	<u>\$ 1,083,442</u>	<u>\$ 548,915</u>	<u>\$ -</u>	<u>\$ 1,632,357</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 320,781	\$ 23,863		\$ 344,644
Real estate improvements	76,832	7,888		84,720
Furniture and equipment	117,701	18,732		136,433
Vehicles	26,646			26,646
Computer equipment & software	19,367	16,312		35,679
Totals	<u>\$ 561,327</u>	<u>\$ 66,795</u>	<u>\$ -</u>	<u>\$ 628,122</u>
Assets being depreciated, net	<u>\$ 522,115</u>	<u>\$ 482,120</u>	<u>\$ -</u>	<u>\$ 1,004,235</u>
ABC Board capital assets, net	<u>\$ 1,162,206</u>			<u>\$ 1,644,326</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
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 JUNE 30, 2013

B. LIABILITIES:

Pension Plan and Postemployment Obligations:

Local Governmental Employees' Retirement System

Plan Description:

The City of Hendersonville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, or by calling (919) 981-5454.

Funding Policy:

Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City the current rate for employees not engaged in law enforcement is 6.74% and for law enforcement officers is 6.77% of annual covered payroll. For the ABC Board, the current rate for employees is 6.74% of annual covered payroll. The ABC Board pays for both the employee required contribution, and the employer portion. The contribution requirements of members and of the City of Hendersonville and the ABC Board are established and may be amended by the North Carolina General Assembly. The contributions made by the City and the ABC Board equaled the required contributions for each year, which were:

	2013	2012	2011
City	\$595,305	\$630,758	\$545,426
ABC Board (both portions)	\$ 49,421	\$ 47,115	\$ 46,705

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description:

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

An annual financial report is prepared by Prudential, custodian of the plan assets, for the Department of State Treasurer, which includes the amounts in its annual report. Prudential may be contacted at 30 Scranton Office Park, Scranton, PA 18507. The Department of State Treasurer may be contacted at 325 North Salisbury Street, Raleigh, NC 27603.

CITY OF HENDERSONVILLE, NORTH CAROLINA
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Funding Policy:

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other City employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$240,961 which consisted of \$85,977 from the City and \$154,984 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description:

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

All full-time City law enforcement officers are covered by the system. At December 31, 2012, the system's membership consisted of:

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

Summary of Significant Accounting Policies:

Basis of Accounting:

The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No stand-alone financial statements are prepared by the plan, and no additional data is included in the financial statements of any other entity.

Method Used to Value Investments:

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

Contributions:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
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Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 85,322
Interest on net pension obligation	17,625
Adjustment to annual required contribution	<u>(21,936)</u>
Annual pension cost	\$ 81,011
Contributions made	<u>(77,602)</u>
Increase in net pension obligation	\$ 3,409
Net pension obligation beginning of year	<u>352,497</u>
Net pension obligation end of year	<u>\$ 355,906</u>

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$79,180	70.08%	\$331,681
6/30/2012	\$82,143	74.66%	\$352,497
6/30/2013	\$81,011	95.79%	\$355,906

Actuarial Information:

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF HENDERSONVILLE, NORTH CAROLINA

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JUNE 30, 2013

Funded Status and Funding Progress:

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$672,377. The covered payroll (annual payroll of active employees covered by the plan) was \$1,708,384 and the ratio of the UAAL to the covered payroll was 39.39 percent. The funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Firemen's and Rescue Squad Workers Pension Plan

Plan Description:

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

Funding Policy:

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. During the current year, the City recognized revenue and expenditure of \$5,535 for the State's contribution to the Fund on behalf of the fifteen firemen who were participating.

Other Post-Employment Benefits

HealthCare and Death Benefit Plan

Plan Description:

On June 1, 1988, the City of Hendersonville Board of Commissioners unanimously approved an ordinance to provide post-retirement health benefits to those retirees who participate in the North Carolina Local Governmental Employees' Retirement System and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for these benefits until the retiree becomes eligible for Medicare at the age of 65. A separate report is not issued by the plan.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
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As of year end, there are fifty-five (55) employees eligible for the death benefit with the total liability equal to \$275,000. The City paid out \$10,000 in fiscal year 2012-2013. The actuarial information presented below covers both the healthcare and the death benefit liability.

Membership of the HealthCare Benefit Plan (HCB) consisted of the following at December 31, 2011, the date of the latest actuarial valuation.

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

Funding Policy:

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

The current ARC rate is 2.73% of annual covered payroll. For the current year, the City contributed \$172,516 or 1.95% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund-Health and Welfare Fund, up to a limit of \$4,900 per individual, with the excess being covered by a private insurer, MedCost. The City's required contributions, under the City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.39 and 0.64% of covered payroll, respectively. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies:

Postemployment expenditures are made from the General Fund, the Water & Sewer Fund and the Solid Waste Fund, depending on which fund had employed the retired employee, and reported on the modified accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Annual required contribution	\$ 239,520
Interest on OPEB obligation	21,101
Adjustment to annual required contribution	(18,998)
Annual OPEB cost	\$ 241,623
Contributions made	(172,516)
Increase in net OPEB obligation	\$ 69,107
Net OPEB obligation beginning of year	<u>700,353</u>
Net OPEB obligation end of year	<u>\$ 769,460</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$261,457	61.80%	\$527,531
6/30/2012	\$271,722	62.40%	\$700,353
6/30/2013	\$241,623	71.39%	\$769,460

Funding Status and Funding Progress:

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$3,187,086. The covered payroll (annual payroll of active employees covered by the plan) was \$8,846,414, and the ratio of the UAAL to the covered payroll was 36.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

Actuarial Methods and Assumptions:

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

Actuarial Information:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0%
Medical cost trend rate	9.5% to 5%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%

Long-Term Debt:

General Obligation Indebtedness

The City's general obligation bonds for governmental purposes are serviced by the General Fund. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2013, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:	\$ 450,000
Interest due each May 1 and November 1 at rates from 4.75% to 5.0%	
\$90,000 principal due each May 1	
2008 Sidewalk Construction Bonds:	<u>1,800,000</u>
Interest due each March 1 and September 1 at rates from 3.5% to 4.3%	
Varying amounts of principal due each March 1,	
Total General Obligation Bonds	<u>\$2,250,000</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Notes Payable

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

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 1,283,333
Principal payment of \$116,667 and interest at 4.1% due each April 14 and October 14	
BB&T Loan for Main Street infrastructure improvements, Purchase of fire truck and construction of fire station	\$6,000,000
Principal payment of \$116,667 and interest at 4.1% due each April 14 and October 14	

Enterprise Debt

Serviced by the Water & Sewer Fund

BB & T Highway Water Plant Expansion Loan	4,979,578
Fixed payment of \$608,680 due each March 19 and September 19 including principal and interest at 3.9%	
J P Morgan Chase Bank Automated Meter Project	11,643,452
Interest due each January 1 and July 1 at 2.583% Principal of \$776,230 due each July 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds	403,520
Interest due each May 1 and November 1 at 3.43% Principal of \$100,880 due each May 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds Brightwater Water System Project	514,603
Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds Wastewater Treatment Plant Expansion	5,962,500
Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	

Total Notes Payable	<u>\$30,786,986</u>
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CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 723,334	\$ 352,267	\$ 2,601,211	\$ 848,087
2015	723,333	324,071	2,641,891	567,338
2016	723,334	295,784	2,684,173	483,302
2017	723,333	267,248	2,728,120	397,602
2018	723,333	238,710	2,064,298	310,170
2019-2023	2,366,667	876,604	6,674,095	918,245
2024-2028	2,050,000	460,862	4,024,097	250,091
Thereafter	1,500,000	143,963	85,768	4,254
Totals	\$ 9,533,334	\$ 2,959,509	\$ 23,503,653	\$ 3,779,089

Changes in long-term liabilities:

	Balances June 30, 2012	Additions	Reductions	Balances June 30, 2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,440,000		\$ 190,000	\$ 2,250,000	\$ 190,000
Notes payable	1,516,667	\$ 6,000,000	233,333	7,283,334	533,334
Compensated absences	515,273	346,389	326,773	534,889	160,000
Other post-employment benefits	425,938	42,029		467,967	
Net pension obligation	352,497	3,409		355,906	
Governmental activity long-term liabilities	\$ 5,250,375	\$ 6,391,827	\$ 750,106	\$ 10,892,096	\$ 883,334
Business-type activities:					
Notes payable	25,289,495	\$ 12,215,233	\$ 1,748,186	\$ 35,756,542	\$ 1,785,842
Compensated absences	217,430	181,022	169,420	229,032	68,000
Other post-employment benefits	274,416	27,078		301,494	
Business-type activities long-term liabilities	\$ 25,781,341	\$ 12,423,333	\$ 1,917,606	\$ 36,287,068	\$ 1,853,842

Liabilities related to governmental activities are serviced by the General Fund. Bond and note liabilities related to business-type activities are serviced by the Water & Sewer Fund. Employee-related liabilities are serviced by either or Water & Sewer Fund or the Environmental Service Fund, depending on the assignment of the employee.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

Capital Leases

The City is not a party to any capital leases.

ABC Board Debt:

The ABC Board has no long-term obligations, such as bonds, notes payable or capitalized leases.

Legal Debt Margin:

The legal debt margin of the City at June 30, 2013, was \$97,462,462. This represents the maximum amount of long-term debt allowed by law. This is computed as 8% of the total tax base minus certain debt items.

C. FUND BALANCE

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

Total fund balance - General Fund	\$ 8,921,295
Less:	
Stabilization by State Statute	805,835
Restricted for law enforcement	97,471
Restricted for Streets-Powell Bill	289,674
Appropriated fund balance- 2014 budget	<u>1,318,210</u>
Remaining fund balance	<u>\$ 6,410,105</u>

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

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Consolidated</u>
Fund balance July 1, 2012	\$ 7,665,360	\$ 703,760	\$ 8,369,120
Net change in fund balances, excluding			
Intrafund transfers year ended June 30, 2013	551,801	374	552,175
Intrafund transfers year ended June 30, 2013	<u>293,970</u>	<u>(293,970)</u>	<u>-0-</u>
Net change in fund balances, adjusted	\$ 845,771	\$ (293,596)	\$ 552,175
Fund balance June 30, 2013	<u>\$ 8,511,131</u>	<u>\$ 410,164</u>	<u>\$ 8,921,295</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
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 JUNE 30, 2013

D. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2013, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for fifteen participating employed firemen in the amount of \$5,732.

Also, the City has recognized as a revenue and an expenditure \$42,070 of on-behalf payments for fringe benefits, pension and other benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund, during the year ended June 30, 2013. Under State law, the local board of trustees for the fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their department.

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Interfund Receivable/ Payables

The composition of interfund/inter-entity balances as of June 30, 2013, is as follows:

Downtown Tax District Fund Special Revenue Funds:

	Governor's Highway Safety	
	Bike Safely Hendersonville Grant Fund	\$ 2,597
	FEMA - SAFER Grant Fund	<u>39,960</u>
Total		<u>\$ 42,557</u>
<u>Receivable Entity</u>	<u>Payable Entity</u>	
Primary Government-	Component Unit	
General Fund	Hendersonville ABC Board	<u>\$ 22,500</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
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JUNE 30, 2013

Interfund Transfers:

Interfund transfers of the City of Hendersonville for the year ended June 30, 2013 consist of the following:

Transfers to Enterprise Funds:

General Fund to Environmental Service Fund \$269,940
This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

General Fund to Water and Sewer Fund \$100,880
This transfer was to reimburse the Water and Sewer Fund for the principal and interest payments on money borrowed from the State of North Carolina Revolving Loan Fund Clean Water Bonds, to extend sewer lines into areas annexed into the City.

Transfers to Governmental Funds:

Downtown Tax District Fund to General Fund \$100,000
This transfer from the Downtown Tax District Fund to the General Fund was to recoup some transfers in earlier years for improvements in the Downtown Tax District.

General Fund to Seventh Avenue Tax District Fund \$ 38,080
This transfer was to assist the Seventh Avenue Tax District Fund to be used for current operating expenses.

General Fund/Capital Reserve Fund to Main Street Infrastructure \$ 45,000
Improvements Project Fund This transfer was to provide funds for the renovation of portions of Main Street in the City's Central Business District.

General Fund to East Side Fire Station Construction Capital Project Fund \$ 27,600
This transfer was provide funds to the capital project fund, prior to receipt of a construction loan, to build a new fire station.

III. COMMITMENTS AND CONTINGENCIES:

A. COMMITMENTS:

Purchase orders issued by the City give rise to encumbrances. The City's purchase orders, and hence, the encumbrances, lapse at June 30. At June 30, 2013 the remaining commitment on the construction of the Fire Station, reported as a capital projects fund, was \$2,833,879.

The City has a commitment to provide law enforcement services to the ABC Board, for \$40,000 per year, receivable in quarterly installments.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

B. FEDERAL AND STATE ASSISTED PROGRAMS:

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

C. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this company the City has general liability and auto liability coverage of \$1 million per occurrence; property coverage up to \$72 million blanket coverage; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$3 million, respectively. The City also carries worker's compensation coverage of up to statutory limits. The City carries commercial insurance coverage for all other risks of loss. There is coverage of \$150,000 for employee dishonesty which covers the finance officer, the tax collector and other employees. The finance officer and the tax collector (two different officials) are also each individually bonded for \$75,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Effective July 1, 2011 the City changed its previous, traditional premium payment only health insurance coverage for employees and their families to a self-insurance plan, administered by MedCost Benefit Services. The plan provides for monthly payment of claims by the City, subject to certain deductible and co-payments, and a maximum annual claims exposure to the City of \$4,900 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General Fund, Downtown Tax District Fund, the Environmental Services Fund, and the Water and Sewer Fund, according to the function of the employees and retirees. Payments of claim expenses up to the annual limit are accounted for in the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as expenditures in the funds.

The City of Hendersonville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

D. RELATED ORGANIZATION:

The three member board of the City of Hendersonville Housing Authority is appointed by the City of Hendersonville Board of Commissioners. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Hendersonville is also disclosed as a related organization in the notes to the financial statements for the City of Hendersonville Housing Authority.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

E. LAWSUITS:

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

F. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 26, 2013, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL
INFORMATION**

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

Exhibit A-1

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
2003	0	\$357,165	\$357,165	0	\$1,321,573	27.03%
2004	0	\$486,524	\$486,524	0	\$1,353,075	35.96%
2005	0	\$471,245	\$471,245	0	\$1,475,522	31.94%
2006	0	\$490,571	\$490,571	0	\$1,542,417	31.81%
2007	0	\$574,165	\$574,165	0	\$1,611,635	35.63%
2008	0	\$621,469	\$621,469	0	\$1,688,411	36.81%
2009	0	\$782,709	\$782,709	0	\$1,851,891	42.27%
2010	0	\$799,934	\$799,934	0	\$1,834,359	43.61%
2011	0	\$791,329	\$791,329	0	\$1,831,773	43.20%
2012	0	\$672,377	\$672,377	0	\$1,708,834	39.36%

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

Exhibit A-2

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$38,473	11.14%
2005	\$45,507	28.12%
2006	\$55,000	23.27%
2007	\$51,555	24.82%
2008	\$55,102	71.59%
2009	\$58,845	89.29%
2010	\$63,168	87.85%
2011	\$80,269	69.13%
2012	\$85,322	77.57%
2013	\$85,322	90.95%

Notes to the Required Schedules:

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

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	5.0%
Projected salary increases	4.25 - 7.85 %
Includes inflation at	3.0 %

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

Exhibit A-3

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

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

Exhibit A-4

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

Notes to the Required Schedules:

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

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years (open ended)
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.0%
Medical cost trend rate	9.5 % to 5.0 %
Year of ultimate trend rate	2018
Includes inflation at	3.00 %

GENERAL FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-1
Page 1 of 6

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

	2013			Variance with Final Budget Positive (Negative)	2012 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 6,570,000	\$ 6,570,000	\$ 6,739,874	\$ 169,874	\$ 6,760,843
Penalties and interest	30,000	30,000	19,654	(10,346)	62,240
Refunds	(5,000)	(5,000)	26,592	31,592	(46,368)
Total	\$ 6,595,000	\$ 6,595,000	\$ 6,786,120	\$ 191,120	\$ 6,776,715
Other taxes and licenses:					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,480	\$ 480	\$ 2,355
Local vehicle rental tax	5,000	5,000	9,825	4,825	8,204
Gross receipts tax	300,000	300,000	519,295	219,295	535,620
Total	\$ 307,000	\$ 307,000	\$ 531,600	\$ 224,600	\$ 546,179
Unrestricted intergovernmental:					
Local option sales taxes	\$ 2,275,000	\$ 2,275,000	\$ 2,404,610	\$ 129,610	\$ 2,257,061
Payments in lieu of taxes	12,330	12,330	13,303	973	12,330
Utility franchise tax	500,000	500,000	622,803	122,803	567,265
Video programming fee	100,000	100,000	117,791	17,791	120,384
Telecommunications sales tax	200,000	200,000	307,441	107,441	326,102
Beer and wine tax	50,000	50,000	53,610	3,610	57,144
ABC profit distribution	80,000	80,000	75,000	(5,000)	83,388
Court fees	5,000	5,000	5,829	829	7,313
Total	\$ 3,222,330	\$ 3,222,330	\$ 3,600,387	\$ 378,057	\$ 3,430,987
Restricted intergovernmental:					
Powell Bill allocation	\$ 350,000	\$ 350,000	\$ 377,115	\$ 27,115	\$ 365,490
Federal grant revenues					113,326
Drug forfeitures		5,000	21,828	16,828	
ABC law enforcement services	40,000	40,000	40,000		40,000
On-behalf-of payments:					
Firemen's Relief			47,605	47,605	39,882
School Resource Officer	40,840	40,840	37,838	(3,002)	37,838
Total	\$ 430,840	\$ 435,840	\$ 524,386	\$ 88,546	\$ 596,536

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013					2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Permits and fees:						
Building permits and inspection fees	\$ 29,100	\$ 29,100	\$ 49,630	\$ 20,530		\$ 21,893
Total	\$ 29,100	\$ 29,100	\$ 49,630	\$ 20,530		\$ 21,893
Sales and services:						
Recreation department fees	\$ 38,000	\$ 38,000	\$ 54,015	\$ 16,015		\$ 39,259
Patton Pool revenues	84,000	84,000	108,578	24,578		121,478
Parking revenues	75,000	75,000	75,042	42		83,540
Alarm fees	2,500	2,500	2,225	(275)		1,575
Cemetery lots	10,000	10,000	5,500	(4,500)		23,500
Total	\$ 209,500	\$ 209,500	\$ 245,360	\$ 35,860		\$ 269,352
Investment earnings	\$ 9,100	\$ 9,100	\$ 10,188	\$ 1,088		\$ 12,179
Miscellaneous:						
Insurance proceeds	\$ 500	\$ 6,585	\$ 16,668	\$ 10,083		\$ 16,557
Parking violations	31,000	31,000	61,808	30,808		48,006
Sales of property	500	500	15,540	15,040		6,954
Other	8,100	3,100	11,212	8,112		48,519
Total	\$ 40,100	\$ 41,185	\$ 105,228	\$ 64,043		\$ 120,036
Total revenues	\$ 10,842,970	\$ 10,849,055	\$ 11,852,899	\$ 1,003,844		\$ 11,773,877

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Expenditures:					
General government:					
Governing body:					
Salaries and employee benefits	\$ 48,950	\$ 48,950	\$ 45,554	\$ 3,396	\$ 44,789
Operating expenses	36,920	36,920	34,020	2,900	43,429
Dues and appropriations	353,630	353,630	327,801	25,829	317,199
Reimbursement-enterprise fund	(26,280)	(26,280)	(23,983)	(2,297)	(25,803)
Total	\$ 413,220	\$ 413,220	\$ 383,392	\$ 29,828	\$ 379,614
Administration:					
Salaries and employee benefits	\$ 305,870	\$ 305,870	\$ 307,253	\$ (1,383)	\$ 302,912
Operating expenses	61,700	90,900	77,337	13,563	41,573
Reimbursement-enterprise fund	(152,440)	(181,640)	(165,895)	(15,745)	(152,225)
Total	\$ 215,130	\$ 215,130	\$ 218,695	\$ (3,565)	\$ 192,260
Finance:					
Salaries and employee benefits	\$ 728,210	\$ 728,210	\$ 713,425	\$ 14,785	\$ 703,879
Operating expenses	81,200	81,200	65,245	15,955	69,852
Reimbursement-enterprise fund	(469,900)	(469,900)	(458,300)	(11,600)	(473,131)
Total	\$ 339,510	\$ 339,510	\$ 320,370	\$ 19,140	\$ 300,600
City engineer:					
Salaries and employee benefits	\$ 358,520	\$ 358,520	\$ 356,363	\$ 2,157	\$ 357,534
Operating expenses	22,200	22,200	15,311	6,889	15,841
Reimbursement-enterprise fund	(179,260)	(179,260)	(176,243)	(3,017)	(179,196)
Total	\$ 201,460	\$ 201,460	\$ 195,431	\$ 6,029	\$ 194,179
Information technology:					
Salaries and employee benefits	\$ 102,760	\$ 102,760	\$ 102,385	\$ 375	\$ 104,607
Operating expenses	268,450	303,450	306,774	(3,324)	251,355
Capital outlay	19,000	19,000	24,820	(5,820)	19,312
Reimbursement-enterprise fund	(82,210)	(82,210)	(81,054)	(1,156)	(99,635)
Total	\$ 308,000	\$ 343,000	\$ 352,925	\$ (9,925)	\$ 275,639
Legal department:					
Salaries and employee benefits	\$ 173,980	\$ 173,980	\$ 175,708	\$ (1,728)	\$ 178,680
Operating expenses	29,860	29,860	26,053	3,807	22,801
Reimbursement-enterprise fund	(86,990)	(86,990)	(87,267)	277	(91,195)
Total	\$ 116,850	\$ 116,850	\$ 114,494	\$ 2,356	\$ 110,286

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B-1
Page 4 of 6

	2013				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2012 Actual
	Original	Final	Actual		
Fleet maintenance:					
Salaries and employee benefits	\$ 311,740	\$ 312,500	\$ 295,883	\$ 16,617	\$ 306,281
Operating expenses	140,710	153,110	121,405	31,705	135,069
Capital outlay	20,000	24,620	24,619	1	
Reimbursement-other departments	(60,000)	(75,600)	(82,176)	6,576	(87,419)
Reimbursement-enterprise fund	(40,000)	(42,180)	(50,597)	8,417	(46,687)
Total	\$ 372,450	\$ 372,450	\$ 309,134	\$ 63,316	\$ 307,244
Public buildings:					
Salaries and employee benefits	\$ 166,670	\$ 167,470	\$ 166,645	\$ 825	\$ 162,925
Operating expenses	225,100	206,035	210,315	(4,280)	230,548
Capital outlay	93,000	111,265	102,828	8,437	
Total	\$ 484,770	\$ 484,770	\$ 479,788	\$ 4,982	\$ 393,473
Total general government	\$ 2,451,390	\$ 2,486,390	\$ 2,374,229	\$ 112,161	\$ 2,153,295
Public safety:					
Police:					
Salaries and employee benefits	\$ 3,093,440	\$ 3,095,440	\$ 3,063,071	\$ 32,369	\$ 3,117,598
Operating expenses	635,620	621,970	602,275	19,695	537,878
Capital outlay	52,000	63,650	100,918	(37,268)	119,900
Total	\$ 3,781,060	\$ 3,781,060	\$ 3,766,264	\$ 14,796	\$ 3,775,376
Fire:					
Salaries and employee benefits	\$ 1,288,200	\$ 1,288,200	\$ 1,224,635	\$ 63,565	\$ 1,196,522
Operating expenses	330,610	330,610	332,928	(2,318)	246,267
Capital outlay	600,000	600,000	583,171	16,829	
On-behalf payments:					
Firemen's Relief fund			47,605	(47,605)	39,882
Contract coverage-Vol. departments	64,000	64,000	64,000	0	315,369
Total	\$ 2,282,810	\$ 2,282,810	\$ 2,252,339	\$ 30,471	\$ 1,798,040
Zoning:					
Salaries and employee benefits	\$ 125,710	\$ 125,710	\$ 128,142	\$ (2,432)	\$ 125,535
Operating expenses	53,800	53,800	29,975	23,825	53,616
Total	\$ 179,510	\$ 179,510	\$ 158,117	\$ 21,393	\$ 179,151
Planning:					
Salaries and employee benefits	\$ 182,420	\$ 175,920	\$ 142,851	\$ 33,069	\$ 167,289
Operating expenses	24,350	30,850	21,797	9,053	50,531
Total	\$ 206,770	\$ 206,770	\$ 164,648	\$ 42,122	\$ 217,820
Total public safety	\$ 6,450,150	\$ 6,450,150	\$ 6,341,368	\$ 108,782	\$ 5,970,387

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-1
Page 5 of 6

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

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Transportation:					
Administration:					
Salaries and employee benefits	\$ 239,210	\$ 239,210	\$ 240,163	\$ (953)	\$ 240,705
Operating expenses	80,750	86,982	66,915	20,067	70,092
Capital outlay		26,760	26,759	1	
Total	<u>\$ 319,960</u>	<u>\$ 352,952</u>	<u>\$ 333,837</u>	<u>\$ 19,115</u>	<u>\$ 310,797</u>
Streets and highways:					
Salaries and employee benefits	\$ 392,800	\$ 398,800	\$ 381,084	\$ 17,716	\$ 363,829
Operating expenses	340,180	342,080	266,097	75,983	342,699
Capital outlay	20,000	17,700		17,700	269,954
Reimbursement-enterprise fund	(143,300)	(148,900)	(182,149)	33,249	(172,559)
Total	<u>\$ 609,680</u>	<u>\$ 609,680</u>	<u>\$ 465,032</u>	<u>\$ 144,648</u>	<u>\$ 803,923</u>
State Street Aid allocation:					
Operating expenses	\$ 350,000	\$ 350,000	\$ 349,978	\$ 22	\$ 324,985
Total	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 349,978</u>	<u>\$ 22</u>	<u>\$ 324,985</u>
Traffic engineering:					
Salaries and employee benefits	\$ 118,780	\$ 120,250	\$ 117,215	\$ 3,035	\$ 120,888
Operating expenses	225,280	249,810	263,920	(14,110)	230,910
Capital outlay	14,500	13,500		13,500	
Total	<u>\$ 358,560</u>	<u>\$ 383,560</u>	<u>\$ 381,135</u>	<u>\$ 2,425</u>	<u>\$ 351,798</u>
Total transportation	<u>\$ 1,638,200</u>	<u>\$ 1,696,192</u>	<u>\$ 1,529,982</u>	<u>\$ 166,210</u>	<u>\$ 1,791,503</u>
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	\$ 420,970	\$ 419,489	\$ 387,751	\$ 31,738	\$ 393,290
Operating expenses	59,000	61,721	65,818	(4,097)	62,898
Capital outlay	12,000	12,008	10,320	1,688	39,050
Total park maintenance, drainage, and lot clearing	<u>\$ 491,970</u>	<u>\$ 493,218</u>	<u>\$ 463,889</u>	<u>\$ 29,329</u>	<u>\$ 495,238</u>
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	\$ 122,730	\$ 122,730	\$ 115,671	\$ 7,059	\$ 129,325
Operating expenses	91,500	91,500	85,257	6,243	108,508
Total cultural and recreational	<u>\$ 214,230</u>	<u>\$ 214,230</u>	<u>\$ 200,928</u>	<u>\$ 13,302</u>	<u>\$ 237,833</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B-1
Page 6 of 6

	2013				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2012 Actual
	Original	Final	Actual		
Debt service:					
Principal	\$ 489,750	\$ 489,750	\$ 423,333	\$ 66,417	\$ 423,333
Interest and fees	220,780	220,780	185,869	34,911	200,890
Total debt service	\$ 710,530	\$ 710,530	\$ 609,202	\$ 101,328	\$ 624,223
Total expenditures	\$ 11,956,470	\$ 12,050,710	\$ 11,519,598	\$ 531,112	\$ 11,272,479
Revenues over (under) expenditures	\$ (1,113,500)	\$ (1,201,655)	\$ 333,301	\$ 1,534,956	\$ 501,398
Other financing sources / (uses)					
Transfers from (to) other funds:					
Proceeds of debt	\$ 600,000	\$ 600,000	\$ 600,000		
Enterprise funds:					
Environmental Service Fund	(269,940)	(269,940)	(269,940)		\$ (285,270)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(100,880)
Downtown Tax District Fund	100,000	100,000	100,000		100,000
Seventh Avenue Tax District Fund	(38,080)	(38,080)	(38,080)		(23,390)
Capital Reserve Fund	293,970	293,970	293,970		303,840
Capital Reserve Fund					(1,100,266)
Fire Station Capital Projects Fund		(27,600)	(27,600)		
Main Street Renovation Project Fund					
Improvement Project Fund	(45,000)	(45,000)	(45,000)		
Rails-to-Trails Project Grant Fund					(16,785)
Health and Welfare Self-Insurance Fund	(157,810)				(81,640)
Contingencies budgeted	(150,000)	(150,000)		150,000	
Fund balance appropriated	881,240	839,185		(839,185)	
Total other financing sources (uses)	\$ 1,113,500	\$ 1,201,655	\$ 512,470	\$ (689,185)	\$ (1,204,391)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ 845,771	\$ 845,771	\$ (702,993)
Fund balances:					
Beginning of year, July 1			7,665,360		8,368,353
End of year, June 30			\$ 8,511,131		\$ 7,665,360

CAPITAL RESERVE FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Investment earnings	\$ 1,000	\$ 1,000	\$ 721	\$ (279)	\$ 2,474
Total revenues	\$ 1,000	\$ 1,000	\$ 721	\$ (279)	\$ 2,474
Expenditures:					
General government:					
Investment fees	\$ 1,000	\$ 1,000	\$ 347	\$ 653	502
Total expenditures	\$ 1,000	\$ 1,000	\$ 347	\$ 653	\$ 502
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 374	\$ 374	\$ 1,972
Other financing sources (uses):					
Transfer from General Fund					\$ 1,100,266
Transfer (to) General Fund	\$ (293,370)	(293,970)	(293,970)		(303,840)
Transfer (to) Main Street Infrastructure Improvement Capital Project Fund					(928,381)
Appropriated fund balance	293,370	293,970		\$ (293,970)	
Total other financing sources (uses)	\$ 0	\$ 0	\$ (293,970)	\$ (293,970)	\$ (131,955)
Revenues and other financing sources over (under) expenditures and other uses	\$ 0	\$ 0	\$ (293,596)	\$ (293,596)	\$ (129,983)
Fund balance:					
Beginning of year, July 1			703,760		833,743
End of year, June 30			\$ 410,164		\$ 703,760

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Exhibit C-1

	SPECIAL		REVENUE		FUNDS	
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Program Grant Fund	FEMA - SAFER Hiring Program Grant Fund	Oakdale Cemetery Historic Nomination Project Grant Fund	
ASSETS						
Cash and cash equivalents	\$ 101,918	\$ 17,114				\$ 1,700
Restricted cash and cash equivalents						
Due from other funds	42,557					
Receivables:						
Taxes (net)	5,927	769				
Accounts	149	9				
Grants			\$ 4,745	\$ 39,960		
Refundable taxes	2,511	923				
Total Assets	\$ 153,062	\$ 18,815	\$ 4,745	\$ 39,960		\$ 1,700
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 34,537	\$ 186	\$ 2,148			
Salaries payable	961					
Retainages payable						
Due to other funds			2,597	\$ 39,960		
Deferred revenues	5,927	769				
Total Liabilities	\$ 41,425	\$ 955	\$ 4,745	\$ 39,960		\$ 0
Fund balances:						
Restricted						
Stabilization by state Statute	\$ 2,660	\$ 932				
Economic development	24,137	16,928				\$ 1,700
Public safety						
Transportation						
Assigned						
Subsequent year's expenditures	84,840					
Unassigned						
Total Fund balances	\$ 111,637	\$ 17,860	\$ 0	\$ 0		\$ 1,700
Total Liabilities and Fund balances	\$ 153,062	\$ 18,815	\$ 4,745	\$ 39,960		\$ 1,700

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Exhibit C-1

SPECIAL REVENUE FUNDS	CAPITAL	PROJECT		FUNDS	Total Nonmajor Governmental Funds
Total	Sidewalk Construction Project Fund	Main Street Infrastructure Improvement Project Fund	East Side Fire Station Construction Project Fund	Total	
\$ 120,732					\$ 120,732
42,557	\$ 1,144,395	\$ 268,338	\$ 3,355,260	\$ 4,767,993	4,767,993
6,696					6,696
158					158
44,705					44,705
<u>3,434</u>	<u>2,552</u>	<u>\$ 4,870</u>	<u>\$ 240</u>	<u>7,662</u>	<u>11,096</u>
<u>\$ 218,282</u>	<u>\$ 1,146,947</u>	<u>\$ 273,208</u>	<u>\$ 3,355,500</u>	<u>\$ 4,775,655</u>	<u>\$ 4,993,937</u>
\$ 36,871		\$ 19,524	\$ 139,792	\$ 159,316	\$ 196,187
961					961
		54,018	24,003	78,021	78,021
42,557					42,557
6,696					6,696
<u>\$ 87,085</u>	<u>\$ 0</u>	<u>\$ 73,542</u>	<u>\$ 163,795</u>	<u>\$ 237,337</u>	<u>\$ 324,422</u>
\$ 3,592	\$ 2,552	\$ 4,870	\$ 240	\$ 7,662	\$ 11,254
42,765					42,765
	1,144,395	194,796	3,191,465	3,191,465	3,191,465
				1,339,191	1,339,191
84,840					84,840
<u>\$ 131,197</u>	<u>\$ 1,146,947</u>	<u>\$ 199,666</u>	<u>\$ 3,191,705</u>	<u>\$ 4,538,318</u>	<u>\$ 4,669,515</u>
<u>\$ 218,282</u>	<u>\$ 1,146,947</u>	<u>\$ 273,208</u>	<u>\$ 3,355,500</u>	<u>\$ 4,775,655</u>	<u>\$ 4,993,937</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-2

	SPECIAL		REVENUE		FUNDS
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Grant Fund	FEMA - SAFER Hiring Program Grant Fund	Oakdale Cemetery Historic Nomination Project Grant Fund
Revenues:					
Ad valorem taxes	\$ 245,040	\$ 12,791			
Unrestricted intergovernmental	100,600	2,500			
Restricted intergovernmental			\$ 37,358	\$ 184,268	
Local contributions					\$ 3,200
Miscellaneous income	14,117	168			
Investment earnings	17	2			
Total Revenues	\$ 359,774	\$ 15,461	\$ 37,358	\$ 184,268	\$ 3,200
Expenditures:					
Public safety			\$ 37,358	\$ 184,268	
Transportation					
Economic and physical development	\$ 254,597	\$ 54,063			\$ 1,500
Total Expenditures	\$ 254,597	\$ 54,063	\$ 37,358	\$ 184,268	\$ 1,500
Revenues over (under) expenditures	\$ 105,177	\$ (38,602)	\$ 0	\$ 0	\$ 1,700
Other financing sources / (uses):					
Proceeds of debt					
Transfer in - General Fund		\$ 38,080			
Transfer out - General Fund	\$ (100,000)				
Total other financing sources / (uses)	\$ (100,000)	\$ 38,080	\$ 0	\$ 0	\$ 0
Revenues and other financing sources over / (under) expenditures and other (uses):	\$ 5,177	\$ (522)	\$ 0	\$ 0	\$ 1,700
Fund balances:					
Beginning of year, July 1	106,460	18,382			
End of year, June 30	<u>\$ 111,637</u>	<u>\$ 17,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,700</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-2

SPECIAL REVENUE FUNDS	PROJECT			FUNDS		Total Nonmajor Governmental Funds
	CAPITAL	Main Street Infrastructure Improvement Project Fund	East Side Fire Station Construction Project Fund	Total	Total	
Total						
\$ 257,831						\$ 257,831
103,100						103,100
221,626						221,626
3,200		\$ 19,050		\$ 19,050		22,250
14,285						14,285
19	\$ 538	167	333	1,038		1,057
<u>\$ 600,061</u>	<u>\$ 538</u>	<u>\$ 19,217</u>	<u>\$ 333</u>	<u>\$ 20,088</u>		<u>\$ 620,149</u>
\$ 221,626	\$ 77,759	\$ 1,386,379	\$ 436,228	\$ 436,228	\$ 657,854	\$ 657,854
310,160				1,464,138	1,464,138	1,464,138
<u>\$ 531,786</u>	<u>\$ 77,759</u>	<u>\$ 1,386,379</u>	<u>\$ 436,228</u>	<u>\$ 1,900,366</u>	<u>\$ 2,432,152</u>	<u>\$ 2,432,152</u>
\$ 68,275	\$ (77,221)	\$ (1,367,162)	\$ (435,895)	\$ (1,880,278)	\$ (1,812,003)	\$ (1,812,003)
\$ 38,080		\$ 1,800,000	\$ 3,600,000	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000
(100,000)		45,000	27,600	72,600	110,680	110,680
<u>\$ (61,920)</u>	<u>\$ 0</u>	<u>\$ 1,845,000</u>	<u>\$ 3,627,600</u>	<u>\$ 5,472,600</u>	<u>\$ 5,410,680</u>	<u>\$ 5,410,680</u>
\$ 6,355	\$ (77,221)	\$ 477,838	\$ 3,191,705	\$ 3,592,322	\$ 3,598,677	\$ 3,598,677
124,842	1,224,168	(278,172)		945,996	1,070,838	1,070,838
<u>\$ 131,197</u>	<u>\$ 1,146,947</u>	<u>\$ 199,666</u>	<u>\$ 3,191,705</u>	<u>\$ 4,538,318</u>	<u>\$ 4,669,515</u>	<u>\$ 4,669,515</u>

SPECIAL REVENUE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-3

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

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 224,950	\$ 224,950	\$ 242,977	\$ 18,027	\$ 231,163
Penalties and interest	600	600	2,063	1,463	1,524
Refunds	(100)	(100)		100	
Total	\$ 225,450	\$ 225,450	\$ 245,040	\$ 19,590	\$ 232,687
Sales and use taxes	\$ 100,600	\$ 100,600	\$ 100,600		\$ 100,600
Special events income			14,117	\$ 14,117	2,675
Investment earnings	50	50	17	(33)	21
Total revenues	\$ 326,100	\$ 326,100	\$ 359,774	\$ 33,674	\$ 335,983
Expenditures:					
Economic and physical development:					
Salaries and employee benefits	\$ 62,450	\$ 62,450	\$ 60,642	\$ 1,808	\$ 44,981
Operating expenses	220,650	225,650	193,955	31,695	185,666
Total expenditures	\$ 283,100	\$ 288,100	\$ 254,597	\$ 33,503	\$ 230,647
Revenues over (under) expenditures	\$ 43,000	\$ 38,000	\$ 105,177	\$ 67,177	\$ 105,336
Other financing sources / (uses)					
Transfer (to) General Fund	\$ (100,000)	\$ (100,000)	\$ (100,000)		\$ (100,000)
Fund balance appropriated	57,000	62,000		\$ (62,000)	
Total other financing sources / (uses)	\$ (43,000)	\$ (38,000)	\$ (100,000)	\$ (62,000)	\$ (100,000)
Revenues and other financing sources over (under) expenditures	\$ 0	\$ 0	\$ 5,177	\$ 5,177	\$ 5,336
Fund balances:					
Beginning of year, July 1			106,460		101,124
End of year, June 30			<u>\$ 111,637</u>		<u>\$ 106,460</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-4

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

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 11,550	\$ 11,550	\$ 12,548	\$ 998	\$ 11,370
Penalties and interest	150	150	243	93	101
Total	<u>\$ 11,700</u>	<u>\$ 11,700</u>	<u>\$ 12,791</u>	<u>\$ 1,091</u>	<u>\$ 11,471</u>
Sales and use taxes	\$ 2,500	\$ 2,500	\$ 2,500		\$ 2,500
Miscellaneous			168	\$ 168	49
Investment earnings			2	2	1
Total revenues	<u>\$ 14,200</u>	<u>\$ 14,200</u>	<u>\$ 15,461</u>	<u>\$ 1,261</u>	<u>\$ 14,021</u>
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 40,280	\$ 40,382	\$ 43,101		
Capital outlay	12,000	13,258	10,962	\$ 2,296	\$ 34,769
Total expenditures	<u>\$ 52,280</u>	<u>\$ 53,640</u>	<u>\$ 54,063</u>	<u>\$ 2,296</u>	<u>\$ 34,769</u>
Revenues over (under) expenditures	<u>\$ (38,080)</u>	<u>\$ (39,440)</u>	<u>\$ (38,602)</u>	<u>\$ 3,557</u>	<u>\$ (20,748)</u>
Other financing sources					
Transfer from General Fund	\$ 38,080	\$ 38,080	\$ 38,080		
Fund balance appropriated		1,360		\$ (1,360)	\$ 23,390
Total other financing sources	<u>\$ 38,080</u>	<u>\$ 39,440</u>	<u>\$ 38,080</u>	<u>\$ (1,360)</u>	<u>\$ 23,390</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (522)</u>	<u>\$ 2,197</u>	<u>\$ 2,642</u>
Fund balances:					
Beginning of year, July 1			18,382		15,740
End of year, June 30			<u>\$ 17,860</u>		<u>\$ 18,382</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 SPECIAL REVENUE FUND
 GOVERNOR'S HIGHWAY SAFETY PROGRAM
 BIKE SAFE HENDERSONVILLE PROGRAM GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-5

	Actual				
Project Author- ization	Prior Years	Current Year	Total to Date	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 64,505	28,549	\$ 37,358	\$ 65,907	\$ 1,402
Total revenues	<u>\$ 64,505</u>	<u>\$ 28,549</u>	<u>\$ 37,358</u>	<u>\$ 65,907</u>	<u>\$ 1,402</u>
Expenditures :					
Public safety					
Police department					
Operating expense	\$ 9,355	\$ 1,405	\$ 10,062	\$ 11,467	\$ (2,112)
Capital outlay	<u>55,150</u>	<u>27,144</u>	<u>27,296</u>	<u>54,440</u>	<u>710</u>
Total expenditures	<u>\$ 64,505</u>	<u>\$ 28,549</u>	<u>\$ 37,358</u>	<u>\$ 65,907</u>	<u>\$ (1,402)</u>
Revenues over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund balance:					
Beginning of year, July 1			<u>0</u>		
End of year, June 30			<u>\$ 0</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND
FEMA - STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE-
HIRING PROGRAM GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-6

	Actual			Total to Date	Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year		
Revenues:					
Federal grant	\$ 506,609	\$ 322,341	\$ 184,268	\$ 506,609	\$ 0
Total revenues	\$ 506,609	\$ 322,341	\$ 184,268	\$ 506,609	\$ 0
Expenditures :					
Public safety:					
Fire department-					
Salaries and employee benefits	\$ 506,609	\$ 322,341	\$ 184,268	\$ 506,609	\$ 0
Total expenditures	\$ 506,609	\$ 322,341	\$ 184,268	\$ 506,609	\$ 0
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 0		

CITY OF HENDERSONVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND

Exhibit C-7

OAKDALE CEMETERY HISTORIC NOMINATION PROJECT GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Federal grant	\$ 2,800				\$ (2,800)
Local contributions	3,200		\$ 3,200	\$ 3,200	
Total revenues	\$ 6,000	\$ 0	\$ 3,200	\$ 3,200	\$ (2,800)
Expenditures :					
Economic development					
Operating expenditures	\$ 6,000		\$ 1,500	\$ 1,500	4,500
Total expenditures	\$ 6,000	\$ 0	\$ 1,500	\$ 1,500	\$ 4,500
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 1,700	\$ 1,700	\$ 1,700
Fund balance:					
Beginning of year, July 1			0		
End of year, June 30			\$ 1,700		

CAPITAL PROJECTS FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 SIDEWALK CONSTRUCTION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D-1

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State grant	\$ 105,000	\$ 105,000		\$ 105,000	
Federal grant	325,000	325,000		325,000	
Local contributions	52,260	52,260		52,260	
Investment earnings	147,740	31,693	\$ 538	32,231	\$ (115,509)
Total revenues	\$ 630,000	\$ 513,953	\$ 538	\$ 514,491	\$ (115,509)
Expenditures :					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,730,000	\$ 1,389,785	\$ 77,759	\$ 1,467,544	\$ 1,262,456
Total expenditures	\$ 2,730,000	\$ 1,389,785	\$ 77,759	\$ 1,467,544	\$ 1,262,456
Revenues over (under) expenditures	\$ (2,100,000)	\$ (875,832)	\$ (77,221)	\$ (953,053)	\$ 1,146,947
Other financing sources :					
General obligation bonds issued	\$ 2,100,000	\$ 2,100,000		\$ 2,100,000	
Total other financing sources	\$ 2,100,000	\$ 2,100,000	\$ 0	\$ 2,100,000	\$ 0
Revenues and other financing sources over expenditures	\$ 0	\$ 1,224,168	\$ (77,221)	\$ 1,146,947	\$ 1,146,947
Fund balance:					
Beginning of year, July 1			1,224,168		
End of year, June 30			\$ 1,146,947		

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 MAIN STREET INFRASTRUCTURE IMPROVEMENT PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D-2

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Local contributions	\$ 65,263	\$ 46,213	\$ 19,050	\$ 65,263	
Investment earnings			167	167	\$ 167
Total revenues	<u>\$ 65,263</u>	<u>\$ 46,213</u>	<u>\$ 19,217</u>	<u>\$ 65,430</u>	<u>\$ 167</u>
Expenditures :					
Transportation:					
Capital outlay- street and sidewalk construction	\$ 3,415,230	\$ 1,564,650	\$ 1,386,379	\$ 2,951,029	\$ 464,201
Total expenditures	<u>\$ 3,415,230</u>	<u>\$ 1,564,650</u>	<u>\$ 1,386,379</u>	<u>\$ 2,951,029</u>	<u>\$ 464,201</u>
Revenues over (under) expenditures	<u>\$ (3,349,967)</u>	<u>\$ (1,518,437)</u>	<u>\$ (1,367,162)</u>	<u>\$ (2,885,599)</u>	<u>\$ 464,368</u>
Other financing sources :					
Transfer from General Fund	\$ 111,412	\$ 66,412	\$ 45,000	\$ 111,412	
Transfer from Capital Reserve Fund	1,173,853	1,173,853		1,173,853	
Proceeds of bank debt	<u>1,800,002</u>		<u>1,800,000</u>	<u>1,800,000</u>	\$ (2)
Total other financing sources	<u>\$ 3,085,267</u>	<u>\$ 1,240,265</u>	<u>\$ 1,845,000</u>	<u>\$ 3,085,265</u>	<u>\$ (2)</u>
Revenues and other financing sources over expenditures	<u>\$ (264,700)</u>	<u>\$ (278,172)</u>	\$ 477,838	<u>\$ 199,666</u>	<u>\$ 464,366</u>
Fund balance:					
Beginning of year, July 1			<u>(278,172)</u>		
End of year, June 30			<u>\$ 199,666</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 EAST SIDE FIRE STATION CONSTRUCTION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D-3

	Actual			Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year	
Revenues:				
Investment earnings			\$ 333	333
Total revenues	\$ 0	\$ 0	\$ 333	\$ 333
Expenditures :				
Public safety				
Fire Department				
Capital outlay-				
East Side Fire Station Constructio	\$ 4,312,600	\$ 685,000	\$ 436,228	\$ 3,191,372
Total expenditures	\$ 4,312,600	\$ 685,000	\$ 436,228	\$ 3,191,372
Revenues over (under) expenditures	\$ (4,312,600)	\$ (685,000)	\$ (435,895)	\$ 3,191,705
Other financing sources :				
Proceeds of bank debt	\$ 3,600,000		\$ 3,600,000	\$ 3,600,000
Transfer-Capital Reserve Fund	175,171	\$ 175,171		175,171
Transfer-General Fund	537,429	509,829	27,600	537,429
Total other financing sources	\$ 4,312,600	\$ 685,000	\$ 3,627,600	\$ 4,312,600
Revenues and other financing sources over expenditures	\$ 0	\$ 0	\$ 3,191,705	\$ 3,191,705
Fund balance:				
Beginning of year, July 1				
End of year, June 30			\$ 3,191,705	

ENTERPRISE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
ENVIRONMENTAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit E-1

	2013			Variance with Final Budget Positive (Negative)	2012 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Base charge (all users)	\$ 27,000	\$ 27,000	\$ 78,368	\$ 51,368	
Residential	673,400	673,400	698,616	25,216	\$ 684,252
Commercial	139,600	139,600	147,980	8,380	145,050
Total operating revenues	<u>\$ 840,000</u>	<u>\$ 840,000</u>	<u>\$ 924,964</u>	<u>\$ 84,964</u>	<u>\$ 829,302</u>
Non-operating revenues:					
Investment earnings	\$ 10	\$ 10	\$ 10		\$ 10
State Solid Waste Tax	8,900	8,900	7,479	(1,421)	9,005
Federal grants					104,250
Transfer from General Fund	269,940	269,940	269,940		285,270
Total non-operating revenues	<u>\$ 278,850</u>	<u>\$ 278,850</u>	<u>\$ 277,429</u>	<u>\$ (1,421)</u>	<u>\$ 398,535</u>
Total revenues	<u>\$ 1,118,850</u>	<u>\$ 1,118,850</u>	<u>\$ 1,202,393</u>	<u>\$ 83,543</u>	<u>\$ 1,227,837</u>
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	\$ 503,280	\$ 511,050	\$ 485,738	\$ 25,312	\$ 493,364
Landfill tipping fees	216,600	216,600	187,681	28,919	190,792
Other departmental expenses	228,000	234,300	180,221	54,079	250,376
Contracted services	35,000	35,000	35,000	0	39,409
Total	<u>\$ 982,880</u>	<u>\$ 996,950</u>	<u>\$ 888,640</u>	<u>\$ 108,310</u>	<u>\$ 973,941</u>
Budgetary appropriations:					
Capital outlay	\$ 130,000	\$ 121,900	\$ 114,502	\$ 7,398	\$ 499,554
Total	<u>\$ 130,000</u>	<u>\$ 121,900</u>	<u>\$ 114,502</u>	<u>\$ 7,398</u>	<u>\$ 499,554</u>
Total expenditures	<u>\$ 1,112,880</u>	<u>\$ 1,118,850</u>	<u>\$ 1,003,142</u>	<u>\$ 115,708</u>	<u>\$ 1,473,495</u>
Revenues over / (under expenditures)	<u>\$ 5,970</u>	<u>\$ 0</u>	<u>\$ 199,251</u>	<u>\$ 199,251</u>	<u>\$ (245,658)</u>
Other financing sources / (uses):					
Transfer to Health & Welfare Fund	\$ (5,970)			0	(871)
Revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199,251</u>	<u>\$ 199,251</u>	<u>\$ (246,529)</u>
Reconciliation of modified accrual basis to full accrual basis:					
Capital outlay			114,502		499,554
(Decrease) / increase in accrued revenues			(3,470)		6,416
Increase / (decrease) in allowance for uncollectible accounts			(679)		23,400
Depreciation			(96,703)		(64,639)
(Increase) / decrease in compensated absences			(3,332)		(1,148)
(Increase) in other postemployment benefits			(4,418)		(24,651)
Change in net position			<u>\$ 205,151</u>		<u>\$ 192,403</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit E-2
Page 1 of 3

	2013				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2012 Actual
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	\$ 8,856,500	\$ 8,856,500	\$ 8,601,995	\$ (254,505)	\$ 8,555,127
Sewer charges	4,340,000	4,340,000	4,274,668	(65,332)	4,182,857
Water and sewer taps	110,000	110,000	270,523	160,523	291,357
Other operating revenues:					
System development charges	322,000	322,000	502,198	180,198	807,745
Federal grant					17,769
Other	142,500	142,500	176,078	33,578	121,051
Total operating revenues	\$ 13,771,000	\$ 13,771,000	\$ 13,825,462	\$ 54,462	\$ 13,975,906
Non-operating revenues:					
Investment earnings	\$ 15,000	\$ 15,000	\$ 11,261	\$ (3,739)	\$ 17,353
Transfer from General Fund	100,880	100,880	100,880		100,880
Sale of fixed assets	5,000	5,000	24,344	19,344	
Insurance settlements			118,933	118,933	
Other non-operating revenues	5,000	10,000	9,625	(375)	17,332
Total non-operating revenues	\$ 125,880	\$ 130,880	\$ 265,043	\$ 134,163	\$ 135,565
Total revenues	\$ 13,896,880	\$ 13,901,880	\$ 14,090,505	\$ 188,625	\$ 14,111,471
Expenditures:					
Administration:					
Salaries and employee benefits	\$ 274,920	\$ 280,225	\$ 262,088	\$ 18,137	\$ 239,075
Contracted services	63,500	87,200	75,112	12,088	98,546
Engineering department expense	179,260	179,260	176,243	3,017	179,196
Supplies	11,000	11,000	9,507	1,493	10,247
Other departmental expenses	320,010	319,765	317,890	1,875	298,337
Total	\$ 848,690	\$ 877,450	\$ 840,840	\$ 36,610	\$ 825,401
Business operations:					
Salaries and employee benefits	\$ 469,900	\$ 469,900	\$ 458,300	\$ 11,600	\$ 473,131
Supplies	112,000	112,000	56,800	55,200	54,335
Other departmental expenses	417,410	417,410	462,072	(44,662)	483,686
Total	\$ 999,310	\$ 999,310	\$ 977,172	\$ 22,138	\$ 1,011,152
Operations and maintenance:					
Salaries and employee benefits	\$ 380,420	\$ 394,982	\$ 389,873	\$ 5,109	\$ 377,887
Utilities	210,000	226,545	235,905	(9,360)	200,330
Supplies	28,000	39,066	41,904	(2,838)	32,625
Other departmental expenses	210,400	186,225	162,811	23,414	92,047
Total	\$ 828,820	\$ 846,818	\$ 830,493	\$ 16,325	\$ 702,889

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit E-2
Page 2 of 3

	2013					2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Water treatment plant:						
Salaries and employee benefits	\$ 566,530	\$ 586,922	\$ 591,456	\$ (4,534)		\$ 573,388
Contracted services	46,500	67,500	63,614	3,886		35,456
Utilities	300,000	324,252	315,860	8,392		268,039
Chemicals	375,000	375,000	406,616	(31,616)		413,794
Supplies	78,000	80,474	61,424	19,050		70,787
Other departmental expenses	127,000	133,756	111,625	22,131		100,408
Total	\$ 1,493,030	\$ 1,567,904	\$ 1,550,595	\$ 17,309		\$ 1,461,872
Field operations:						
Salaries and employee benefits	\$ 708,670	\$ 702,189	\$ 692,471	\$ 9,718		\$ 652,133
Supplies	19,500	19,692	19,093	599		57,974
Other departmental expenses	144,630	145,919	120,720	25,199		71,479
Total	\$ 872,800	\$ 867,800	\$ 832,284	\$ 35,516		\$ 781,586
Water line maintenance:						
Salaries and employee benefits	\$ 620,540	\$ 621,903	\$ 606,365	\$ 15,538		\$ 596,810
Contracted services	36,500	36,500	21,157	15,343		5,969
Issues from inventory	350,000	316,785	441,323	(124,538)		176,309
Supplies	105,000	114,101	114,620	(519)		124,117
Other departmental expenses	206,300	206,300	142,626	63,674		133,486
Total	\$ 1,318,340	\$ 1,295,589	\$ 1,326,091	\$ (30,502)		\$ 1,036,691
Waste treatment plant:						
Salaries and employee benefits	\$ 572,610	\$ 568,284	\$ 577,253	\$ (8,969)		\$ 571,232
Contracted services	20,500	20,500	18,968	1,532		17,029
Sludge management	325,000	285,000	309,866	(24,866)		303,837
Utilities	230,000	287,460	295,090	(7,630)		242,873
Supplies	56,100	58,436	49,400	9,036		53,310
Other departmental expenses	167,300	151,830	150,621	1,209		164,131
Total	\$ 1,371,510	\$ 1,371,510	\$ 1,401,198	\$ (29,688)		\$ 1,352,412
Sewer line maintenance:						
Salaries and employee benefits	\$ 474,230	\$ 474,230	\$ 424,626	\$ 49,604		\$ 451,112
Contracted services	192,500	175,114	65,849	109,265		218,885
Issues from inventory	30,000	30,000	33,734	(3,734)		41,592
Supplies	75,500	81,671	81,040	631		90,548
Other departmental expenses	171,600	142,800	123,944	18,856		236,102
Total	\$ 943,830	\$ 903,815	\$ 729,193	\$ 174,622		\$ 1,038,239

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

Exhibit E-2
Page 3 of 3

	2013			Variance with Final Budget Positive (Negative)	2012 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Budgetary appropriations:					
Interest	\$ 448,210	\$ 448,210	\$ 446,928	\$ 1,282	\$ 526,911
Debt principal	1,786,980	1,786,980	1,785,842	1,138	1,748,186
Capital outlay:					
Equipment	1,217,700	1,178,913	548,502	630,411	763,959
Water lines	72,000	329,451	351,824	(22,373)	207,518
Sewer lines	1,841,000	1,841,030	217,205	1,623,825	53,806
Total	<u>\$ 5,365,890</u>	<u>\$ 5,584,584</u>	<u>\$ 3,350,301</u>	<u>\$ 2,234,283</u>	<u>\$ 3,300,380</u>
Total expenditures	<u>\$ 14,042,220</u>	<u>\$ 14,314,780</u>	<u>\$ 11,838,167</u>	<u>\$ 2,476,613</u>	<u>\$ 11,510,622</u>
Revenues over (under) expenditures	<u>\$ (145,340)</u>	<u>\$ (412,900)</u>	<u>\$ 2,252,338</u>	<u>\$ 2,665,238</u>	<u>\$ 2,600,849</u>
Other financing sources (uses):					
Transfer from (to) Capital Projects Funds			\$ 75,996	\$ 75,996	
Transfer (to) Health & Welfare Fund	\$ (127,400)				(84,284)
Proceeds of debt					79,633
Fund balance appropriated	272,740	\$ 412,900		(412,900)	
Total other financing sources (uses)	<u>\$ 145,340</u>	<u>\$ 412,900</u>	<u>\$ 75,996</u>	<u>\$ (336,904)</u>	<u>\$ (4,651)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,328,334</u>	<u>\$ 2,328,334</u>	<u>\$ 2,596,198</u>
Reconciliation of modified accrual basis to full accrual basis:					
Increase / (decrease) in accrued revenues			(109,479)		25,040
(Increase) / decrease in allowance for doubtful accounts			(7,515)		48,056
Debt issued					(79,633)
Miscellaneous income in capital project fund			51,606		
Interest earned in capital project fund			3,762		1,062
Payment of debt principal			1,785,842		1,748,186
Capital outlay			1,104,506		1,025,283
Book value of disposed equipment					
Transfers (from) capital projects funds			(75,996)		
(Increase) / decrease in bond and note interest accrued			(259,984)		(48,248)
Depreciation			(3,088,145)		(2,423,310)
(Increase) in compensated absences			(8,270)		(2,549)
(Increase) in other postemployment benefits liability			(22,660)		(79,881)
Change in net position			<u>\$ 1,702,001</u>		<u>\$ 2,810,204</u>

WATER AND SEWER CAPITAL PROJECT FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
AUTOMATED METER REPLACEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit E-3

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment income		\$ 1,062	\$ 3,762	\$ 4,824	\$ 4,824
Miscellaneous-sale of scrap meters			51,606	51,606	51,606
Total revenues	\$ 0	\$ 1,062	\$ 55,368	\$ 56,430	\$ 56,430
Expenditures -					
Automated Meter Replacement System					
Professional services	\$ 462,722	\$ 7,000		\$ 7,000	\$ 455,722
Engineering services	336,437				336,437
Capital outlay - other improvements	10,401,873	3,493,036	\$ 8,123,850	11,616,886	(1,215,013)
Contingencies	442,420				442,420
Total expenditures	\$ 11,643,452	\$ 3,500,036	\$ 8,123,850	\$ 11,623,886	\$ 19,566
Revenues over (under) expenditures	\$ (11,643,452)	\$ (3,498,974)	\$ (8,068,482)	\$ (11,567,456)	\$ 75,996
Other financing sources / uses:					
Proceeds of debt	\$ 11,643,452	\$ 11,643,452		\$ 11,643,452	
Transfer to Water & Sewer Fund			\$ (75,996)	(75,996)	\$ (75,996)
Total other financing sources / (uses)	\$ 11,643,452	\$ 11,643,452	\$ (75,996)	\$ 11,567,456	\$ (75,996)
Revenues and other financing sources/ over expenditures and other financing uses	\$ 0	\$ 8,144,478	\$ (8,144,478)	\$ 0	\$ 0

CITY OF HENDERSONVILLE, NORTH CAROLINA
 WATER AND SEWER CAPITAL PROJECTS FUND
 JACKSON PARK SEWER INTERCEPTOR PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit E-4

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures -					
Jackson Park Sewer Interceptor					
Professional services	\$ 35,000				\$ 35,000
Engineering services	390,000		\$ 1,069	\$ 1,069	388,931
Capital outlay - land	150,000				150,000
Capital outlay - other improvements	3,250,000		97,909	97,909	3,152,091
Contingencies	325,000				325,000
Total expenditures	\$ 4,150,000	\$ 0	\$ 98,978	\$ 98,978	\$ 4,051,022
Other financing sources:					
Proceeds of debt	\$ 4,000,000				\$ (4,000,000)
Transfer from Water & Sewer Fund	150,000				(150,000)
Total other financing sources / (uses)	\$ 4,150,000	\$ 0	\$ 0	\$ 0	\$ (4,150,000)
Other financing sources (under) expenditures	\$ 0	\$ 0	\$ (98,978)	\$ (98,978)	\$ (98,978)

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SHEPHERD CREEK SEWER LINE PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit E-5

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures -					
Shepherd Creek Sewer Line					
Engineering services	\$ 110,000				\$ 110,000
Capital outlay - other improvements	1,637,000		6,218	6,218	1,630,782
Total expenditures	\$ 1,747,000	\$ 0	\$ 6,218	\$ 6,218	\$ 1,740,782
Other financing sources:					
Proceeds of debt	\$ 1,650,000				\$ (1,650,000)
Transfer from Water & Sewer Fund	97,000				(97,000)
Total other financing sources / (uses)	\$ 1,747,000	\$ 0	\$ 0	\$ 0	\$ (1,747,000)
Other financing sources (under) expenditures	\$ 0	\$ 0	\$ (6,218)	\$ (6,218)	\$ (6,218)

INTERNAL SERVICE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
INTERNAL SERVICE FUND - HEALTH AND WELFARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit F-1

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

	2013				2012 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Charges for services:	\$ 291,180	\$ 291,180	\$ 291,180		\$ 170,566
Health insurance rebate	22,000	22,000	22,001	\$ 1	
Total	\$ 313,180	\$ 313,180	\$ 313,181	\$ 1	\$ 170,566
Investment earnings	\$ 100	\$ 100	\$ 141	41	\$ 137
Total revenues	<u>\$ 313,280</u>	<u>\$ 313,280</u>	<u>\$ 313,322</u>	<u>\$ 42</u>	<u>\$ 170,703</u>
Expenditures:					
Employee benefits:	\$ 313,280	\$ 313,280	\$ 280,296	\$ 32,984	\$ 170,566
Total expenditures	<u>\$ 313,280</u>	<u>\$ 313,280</u>	<u>\$ 280,296</u>	<u>\$ 32,984</u>	<u>\$ 170,566</u>
Revenues over (under) expenditures	\$ 0	\$ 0	\$ 33,026	\$ 33,026	\$ 137
Other financing sources					
Transfer from General Fund					\$ 81,640
Transfer from Water and Sewer Fund					84,284
Transfer from Environmental Service Fund					871
Total other financing sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 166,795
Revenues and other financing sources over (under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,026</u>	<u>\$ 33,026</u>	<u>\$ 166,932</u>
Fund balances:					
Beginning of year, July 1			166,932		
End of year, June 30			<u>\$ 199,958</u>		<u>\$ 166,932</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2013 AND JUNE 30, 2012

Exhibit G-1

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Governmental Capital Assets:		
Land	\$ 2,862,946	\$ 2,862,946
Buildings	8,381,928	7,945,700
Improvements other than buildings	3,926,277	3,844,785
Machinery, vehicles, software and equipment	5,817,975	5,144,308
Infrastructure	15,443,638	13,979,500
	<hr/>	<hr/>
Totals	<u>\$ 36,432,764</u>	<u>\$ 33,777,239</u>

Investment in Governmental Capital Assets by source:

General Fund	\$ 28,016,678	\$ 27,272,633
Special Revenue Funds	2,519,693	2,508,579
Capital Projects Funds	5,279,793	3,379,427
Donations	616,600	616,600
	<hr/>	<hr/>
Totals	<u>\$ 36,432,764</u>	<u>\$ 33,777,239</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2013

Exhibit G-2

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery, Software, Vehicles, Equipment	Infrastructure	Total
General government:						
Administration	\$ 58,041	\$ 1,202,795				\$ 1,260,836
Finance		1,282,047				1,282,047
City engineer				\$ 51,894		51,894
Information technology				208,900		208,900
Central services		294,385	\$ 50,380	94,609		439,374
Public buildings			67,797	169,410		237,207
Total general government	\$ 58,041	\$ 2,779,227	\$ 118,177	\$ 524,813	\$ 0	\$ 3,480,258
Public safety:						
Police		\$ 2,136,747		\$ 1,527,873		\$ 3,664,620
Fire	\$ 685,000	1,732,099		2,197,966		4,615,065
Zoning				37,195		37,195
Total public safety	\$ 685,000	\$ 3,868,846	\$ 0	\$ 3,763,034	\$ 0	\$ 8,316,880
Transportation:						
Administration	\$ 62,392	\$ 1,109,500	\$ 127,102	\$ 44,676		\$ 1,343,670
Streets and highways	804,504	83,783	594,315	1,080,028	\$ 15,443,638	18,006,268
Traffic engineering				73,829		73,829
Total transportation	\$ 866,896	\$ 1,193,283	\$ 721,417	\$ 1,198,533	\$ 15,443,638	\$ 19,423,767
Park maintenance, drainage and lot clearing	\$ 1,253,009	\$ 540,572	\$ 3,086,683	\$ 331,595	\$ 0	\$ 5,211,859
Totals	\$ 2,862,946	\$ 8,381,928	\$ 3,926,277	\$ 5,817,975	\$ 15,443,638	\$ 36,432,764

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

Exhibit G-3

Function and Activity	Governmental Funds Capital Assets July 1, 2012	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2013
General government:					
Administration	\$ 1,260,836				\$ 1,260,836
Finance	1,282,047				1,282,047
City engineer	51,894				51,894
Information technology	184,080	\$ 24,820			208,900
Central services	414,755	24,619			439,374
Public buildings	123,418	113,789			237,207
Total general government	\$ 3,317,030	\$ 163,228	\$ 0	\$ 0	\$ 3,480,258
Public safety:					
Police	\$ 3,637,156	\$ 128,215	\$ 100,751		\$ 3,664,620
Fire	3,634,526	1,019,399	38,860		4,615,065
Zoning	37,195				37,195
Total public safety	\$ 7,308,877	\$ 1,147,614	\$ 139,611	\$ 0	\$ 8,316,880
Transportation:					
Administration	\$ 1,354,310	\$ 26,759	\$ 20,298	\$ (17,101)	\$ 1,343,670
Streets and highways	2,562,633				2,562,633
Bridge systems	3,919,735				3,919,735
Curb, gutter, drain systems	733,252	462,126			1,195,378
Sidewalk systems	3,680,626	539,886			4,220,512
Street systems	5,645,884	462,126			6,108,010
Traffic engineering	73,829				73,829
Total transportation	\$ 17,970,269	\$ 1,490,897	\$ 20,298	\$ (17,101)	\$ 19,423,767
Park maintenance, drainage and lot clearing	\$ 5,181,063	\$ 13,695	\$ 0	\$ 17,101	\$ 5,211,859
Totals	\$ 33,777,239	\$ 2,815,434	\$ 159,909	\$ 0	\$ 36,432,764

AGENCY FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
 FINES AND FORFEITURES AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit H-1

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
 ASSETS				
Cash and investments	<u>\$ 1,995</u>	<u>\$ 6,143</u>	<u>\$ 7,832</u>	<u>\$ 306</u>
 LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 1,995</u>	<u>\$ 6,143</u>	<u>\$ 7,832</u>	<u>\$ 306</u>

SCHEDULES SECTION

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Exhibit I-1

Fiscal year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013		\$ 6,693,083	\$ 6,553,545	\$ 139,538
2011-2012	\$ 189,742		139,322	50,420
2010-2011	45,792		26,735	19,057
2009-2010	22,391		12,045	10,346
2008-2009	25,493		7,851	17,642
2007-2008	25,218		5,875	19,343
2006-2007	15,014		1,916	13,098
2005-2006	9,548		456	9,092
2004-2005	7,527		297	7,230
2003-2004	4,649		175	4,474
2002-2003	9,000		9,000	0
	<u>\$ 354,374</u>	<u>\$ 6,693,083</u>	<u>\$ 6,757,217</u>	<u>\$ 290,240</u>
Less allowance for uncollectible ad valorem taxes receivable				151,720
Ad valorem taxes receivable, net				<u>\$ 138,520</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 6,786,120
Reconciling items:				
Interest collected				(46,243)
Releases				8,340
Taxes written off after 10 years				9,000
Total collections and credits				<u>\$ 6,757,217</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit I-2

Original Levy:	City-wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 1,631,243,100	\$ 0.41	\$ 6,688,097	\$ 6,362,184	\$ 325,913
Penalties			4,986	4,986	
Net levy	<u>\$ 1,631,243,100</u>		\$ 6,693,083	\$ 6,367,170	\$ 325,913
Uncollected taxes at June 30, 2013			<u>139,538</u>	<u>111,197</u>	<u>28,341</u>
Current year's taxes collected			<u>\$ 6,553,545</u>	<u>\$ 6,255,973</u>	<u>\$ 297,572</u>
Current levy collection percentage			<u>97.92%</u>	<u>98.25%</u>	<u>91.30%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit I-2a

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,417,932,329
Personal Property	189,783,771
Public Service Companies (2)	<u>23,527,000</u>
Total Assessed Valuation	<u>\$ 1,631,243,100</u>
Tax Rate per \$100	<u>\$ 0.41</u>
Levy (includes discoveries, releases, abatements) (3)	<u>\$ 6,688,097</u>

- (1) Percentage of appraised value has been established by statute.
- (2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission
- (3) The levy includes interest and penalties for late listing.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 CITY-WIDE LEVY
 PRINCIPAL TAXPAYERS
 JUNE 30, 2013

Exhibit I-2b

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ASSESSED VALUE</u>	<u>% of TOTAL ASSESSED VALUE</u>
Ingles Markets, Inc.	Grocery Chain	\$ 35,061,735	2.15%
Wal-Mart Stores, Inc.	Retail Sales	27,733,100	1.70%
Boyd L. Hyder	Entrepreneur	21,383,300	1.31%
Highland Investors, LLC	Nursing Homes	16,281,222	1.00%
Triangle Real Estate	Real Estate Sales	12,513,000	0.77%
Lowes's of Hendersonville	Home Improvement	12,263,751	0.75%
Henderson Crossing Shopping Center	Retail Sales	11,588,400	0.71%
Blue Ridge Mall, LTD.	Retail Sales	11,516,971	0.71%
Home Depot	Home Improvement	11,240,970	0.69%
Morris Broadband, LLC	Cable TV, Internet	10,982,369	0.67%
	Total	<u>\$ 170,564,818</u>	<u>10.46%</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Exhibit I-3

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013		\$ 234,891	\$ 229,678	\$ 5,213
2011-2012	\$ 9,832		8,007	1,825
2010-2011	5,084		5,023	61
2009-2010	1,549		500	1,049
2008-2009	701			701
2007-2008	959			959
2006-2007	773		39	734
2005-2006	246			246
2004-2005	396			396
2003-2004	33			33
2002-2003	341		341	0
	<u>\$ 19,914</u>	<u>\$ 234,891</u>	<u>\$ 243,588</u>	<u>\$ 11,217</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>5,290</u>
Ad valorem taxes receivable - net				<u>\$ 5,927</u>
Reconciliation with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 242,977
Reconciling items:				
Interest collected				(613)
Releases				272
Taxes written off after 10 years				<u>341</u>
Total collections and credits				<u>\$ 242,977</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit L-4

Original Levy:	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 83,790,357	\$ 0.28	\$ 234,613	\$ 232,007	\$ 2,606
Penalties			278	278	
Net levy	<u>\$ 83,790,357</u>		\$ 234,891	\$ 232,285	\$ 2,606
Uncollected taxes at June 30, 2013			<u>5,213</u>	<u>4,894</u>	<u>319</u>
Current year's taxes collected			<u>\$ 229,678</u>	<u>\$ 227,391</u>	<u>\$ 2,287</u>
Current levy collection percentage			<u>97.78%</u>	<u>97.89%</u>	<u>87.76%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Exhibit I-5

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013		\$ 11,629	\$ 11,247	\$ 382
2011-2012	\$ 918		765	153
2010-2011	122		122	0
2009-2010	152		143	9
2008-2009	288		143	145
2007-2008	109			109
2006-2007	172		128	44
2005-2006	10			10
2004-2005	26			26
2003-2004	123			123
2002-2003	21		21	0
	\$ 1,941	\$ 11,629	\$ 12,569	\$ 1,001
Less allowance for uncollectible ad valorem taxes receivable				232
Ad valorem taxes receivable - net				\$ 769
Reconciliation with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 12,791
Reconciling items:				
Interest collected				(243)
Taxes written off after 10 years				21
Total collections and credits				\$ 12,569

CITY OF HENDERSONVILLE, NORTH CAROLINA
 SEVENTH AVENUE TAX DISTRICT FUND
 ANALYSIS OF CURRENT TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit I-6

Original Levy:	Seventh Avenue Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Property at current year's rate	\$ 9,688,333	\$ 0.12	\$ 11,626	\$ 11,076	\$ 550
Penalties			3	3	
Net levy	<u>\$ 9,688,333</u>		\$ 11,629	\$ 11,079	\$ 550
Uncollected taxes at June 30, 2013			382	312	70
Current year's taxes collected			<u>\$ 11,247</u>	<u>\$ 10,767</u>	<u>\$ 480</u>
Current levy collection percentage			<u>96.72%</u>	<u>97.18%</u>	<u>87.27%</u>

Note: Collection of motor vehicle taxes is the responsibility of the Henderson County Tax Collector.

TRANSFERS

CITY OF HENDERSONVILLE, NORTH CAROLINA
 SCHEDULE OF TRANSFERS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit I-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 481,500	
Enterprise Funds:		
Environmental Service Fund		\$ 269,940
Water & Sewer Fund		100,880
Governmental Funds:		
Seventh Avenue Tax District Fund		38,080
Main Street Infrastructure Improvement Capital Project Fund		45,000
East Side Fire Department Construction Capital Project Fund		27,600
 Downtown Tax District Fund	 100,000	
General Fund		100,000
 Capital Reserve Fund	 293,970	
General Fund		293,970
	<u>\$ 875,470</u>	<u>\$ 875,470</u>
Transfers From/To Other Units:		
Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 75,000	
Law enforcement services	40,000	
General Fund		\$ 115,000
 Total - component units	<u>\$ 115,000</u>	<u>\$ 115,000</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	101
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	107
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	111
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	115
Operation Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	117

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 6,967,696	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066	\$ 13,737,365	\$ 16,738,488	\$ 16,829,139	\$ 17,530,422	\$ 17,077,486
Restricted	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	3,047,565	2,957,773	5,862,495
Unrestricted	5,560,586	9,624,355	10,440,777	10,672,865	9,878,504	11,249,729	8,059,282	5,212,143	4,376,180	1,970,572
Total Governmental Activities Net Position	<u>\$ 18,845,488</u>	<u>\$ 21,384,070</u>	<u>\$ 22,874,740</u>	<u>\$ 23,566,607</u>	<u>\$ 25,256,088</u>	<u>\$ 25,264,303</u>	<u>\$ 24,969,668</u>	<u>\$ 25,088,847</u>	<u>\$ 24,864,375</u>	<u>\$ 24,910,553</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 29,489,204	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938	\$ 43,280,673	\$ 48,628,499	\$ 50,127,849	\$ 51,057,598	\$ 51,168,791
Unrestricted	16,529,871	19,622,250	23,287,979	27,258,221	36,038,335	22,481,842	20,179,419	21,453,888	23,526,746	25,322,705
Total Business-Type Activities Net Position	<u>\$ 46,019,075</u>	<u>\$ 50,061,192</u>	<u>\$ 55,139,835</u>	<u>\$ 60,473,215</u>	<u>\$ 64,108,273</u>	<u>\$ 65,762,515</u>	<u>\$ 68,807,918</u>	<u>\$ 71,581,737</u>	<u>\$ 74,584,344</u>	<u>\$ 76,491,496</u>
Primary Government										
Net Position in Capital Assets	\$ 36,456,900	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004	\$ 57,018,038	\$ 65,366,987	\$ 66,956,988	\$ 68,588,020	\$ 68,246,277
Restricted	6,317,206	448,609	319,781	56,300	202,518	277,209	171,898	3,047,565	2,957,773	5,862,495
Unrestricted	22,090,457	29,246,605	33,728,756	37,931,086	45,916,839	33,731,571	28,238,701	26,666,031	27,902,926	27,293,277
Total Primary Government Net Position	<u>\$ 64,864,563</u>	<u>\$ 71,445,262</u>	<u>\$ 78,014,575</u>	<u>\$ 84,039,822</u>	<u>\$ 89,364,361</u>	<u>\$ 91,026,818</u>	<u>\$ 93,777,586</u>	<u>\$ 96,670,584</u>	<u>\$ 99,448,719</u>	<u>\$ 101,402,049</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$ 1,361,553	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039	\$ 2,043,475	\$ 2,181,689	\$ 2,152,324	\$ 2,301,254	\$ 2,359,071
Public Safety	4,588,455	4,876,373	4,960,503	5,248,972	5,904,878	6,046,707	6,230,577	6,256,423	6,910,168	6,281,514
Environmental Protection	8,300	5,000	5,000	-	-	-	-	-	-	-
Economic and Physical Development	221,752	192,117	180,915	365,940	239,525	342,472	453,538	262,751	405,416	311,086
Transportation	1,286,798	1,438,031	1,191,132	1,583,224	1,582,437	1,928,695	1,869,352	2,155,725	2,116,715	2,046,441
Parks and Drainage	373,535	251,391	488,727	464,033	515,024	799,405	223,094	642,849	589,902	596,425
Cultural and Recreation	107,953	429,747	133,574	161,687	220,864	197,333	588,305	200,772	237,833	200,928
Interest on Long-Term Obligations	206,646	230,441	215,476	211,358	186,416	232,634	229,642	215,749	197,996	231,074
Total Governmental Activities	8,154,992	9,021,543	8,765,539	9,804,204	10,696,183	11,590,721	11,776,197	11,886,593	12,759,284	12,026,539
Business-Type Activities:										
Water and Sewer Fund	11,174,479	8,803,851	8,925,895	9,349,299	10,498,295	11,243,016	10,278,199	10,784,165	11,291,143	12,326,878
Environmental Services Fund	775,301	867,522	989,812	948,235	965,119	1,016,654	1,011,039	1,014,552	1,064,379	993,094
Total Business-Type Activities	11,949,780	9,671,373	9,915,707	10,297,534	11,463,414	12,259,670	11,289,238	11,798,717	12,355,522	13,319,972
Total Expenses	\$ 20,104,772	\$ 18,692,916	\$ 18,681,246	\$ 20,101,738	\$ 22,159,597	\$ 23,850,391	\$ 23,065,435	\$ 23,685,310	\$ 25,114,806	\$ 25,346,511
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	190,437	142,305	161,804	133,358	159,579	154,633	153,171	163,982	156,625	219,158
Transportation	56,448	43,707	59,204	73,357	70,791	72,426	69,058	73,432	83,540	75,042
Parks and Drainage	41,960	18,850	21,030	21,350	23,450	17,850	15,000	11,850	23,500	5,500
Cultural and Recreational	-	49,818	84,178	101,780	119,147	145,221	154,555	164,349	160,737	162,593
Other Activities	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	638,783	673,487	509,555	410,529	497,857	511,908	627,018	823,010	925,970	646,346
Capital Grants and Contributions	32,029	1,653,745	726,529	162,159	178,328	214,998	400,000	75,000	390,000	-
Total Governmental Activities	959,657	2,581,912	1,562,300	902,533	1,049,152	1,117,036	1,418,802	1,311,623	1,740,372	1,108,639
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	10,174,684	11,471,824	12,586,225	13,112,540	12,846,457	12,040,335	12,892,729	13,386,511	14,031,234	13,708,469
Other Activities	323,079	347,044	507,746	530,470	543,892	671,189	695,814	837,913	868,123	928,295
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	140,452	648,545	660,761	-	-	292,577	216,558	285,014	122,019	-
Total Business-Type Activities	10,638,215	12,467,413	13,754,732	13,643,010	13,390,349	13,004,101	13,805,101	14,509,438	15,021,376	14,636,764
Total Program Revenues	\$ 11,597,872	\$ 15,049,325	\$ 15,317,032	\$ 14,545,543	\$ 14,439,501	\$ 14,121,137	\$ 15,223,903	\$ 15,821,061	\$ 16,761,748	\$ 15,745,403

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION (CONTINUED)

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental Activities	\$ (7,195,335)	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)	\$ (10,473,685)	\$ (10,357,395)	\$ (10,574,970)	\$ (11,018,912)	\$ (10,917,900)
Business-Type Activities	(1,311,565)	2,796,040	3,839,025	3,345,476	1,926,935	744,431	2,515,863	2,710,721	2,665,854	1,316,792
Total Net Expense	\$ (8,506,900)	\$ (3,643,591)	\$ (3,364,214)	\$ (5,556,195)	\$ (7,720,096)	\$ (9,729,254)	\$ (7,841,532)	\$ (7,864,249)	\$ (8,353,058)	\$ (9,601,108)
General Revenues										
Governmental Activities:										
Property Taxes	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539	\$ 6,937,950	\$ 7,020,873	\$ 7,043,951
Sales & Use Tax	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,258,827	2,101,938	2,134,526	2,257,061	2,404,610
Other Taxes	79,741	76,151	79,707	76,478	80,352	88,077	158,441	88,077	546,179	531,600
Unrestricted Intergovernmental Revenue	847,401	874,925	912,419	981,492	1,157,165	1,321,124	1,283,006	1,703,333	1,277,026	1,298,877
Restricted Intergovernmental Revenue	785,731	2,390,042	1,320,271	658,093	699,273	744,405	1,113,434	975,848	1,393,807	746,012
Permits and Fees	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573	21,893	49,630
Sales and Services	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706	269,352	245,360
Investment Earnings	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430	15,046	11,245
Miscellaneous	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301	135,760	122,713
Total Governmental Activities	9,482,491	11,815,032	11,709,130	11,767,279	12,490,745	11,892,771	12,028,924	12,352,744	12,936,997	12,453,998
Business-Type activities:										
Investment Earnings	119,052	295,222	511,490	699,364	867,850	451,425	31,163	22,068	18,426	15,033
Transfers	100,880	100,880	100,880	875,880	100,880	100,880	100,880	100,880	100,880	100,880
FEMA Settlement	-	66,312	-	-	-	-	-	-	-	-
Sale of Fixed Assets	-	821,550	4,150	100	-	-	-	-	-	-
Miscellaneous	53,475	19,427	16,220	5,678	4,680	29,639	9,884	12,455	17,332	9,625
Total Business-Type Activities	273,407	1,303,391	632,740	1,581,022	973,410	581,944	141,927	135,403	136,638	125,538
Total Primary Government	9,755,898	13,118,423	12,341,870	13,348,301	13,464,155	12,474,715	12,170,851	12,488,147	13,073,635	12,579,536
Change in Net Position:										
Governmental Activities	2,287,156	5,375,401	4,505,891	2,865,608	2,843,714	1,419,086	1,671,529	1,777,774	1,918,085	1,536,098
Business-Type Activities	(1,038,158)	4,099,431	4,471,765	4,926,498	2,900,345	1,326,375	2,657,790	2,846,124	2,802,492	1,442,330
Total Change in Net Position	\$ 1,248,998	\$ 9,474,832	\$ 8,977,656	\$ 7,792,106	\$ 5,744,059	\$ 2,745,461	\$ 4,329,319	\$ 4,623,898	\$ 4,720,577	\$ 2,978,428

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted for Stabilization by State Statute	\$ 895,837	\$ 1,333,552	\$ 1,049,970	\$ 819,243	\$ 848,265	\$ 737,031	\$ 756,414	\$ 922,385	\$ 1,288,518	\$ 805,835
Restricted for Law Enforcement	43,487	78,547	81,371	86,815	115,110	70,951	78,158	106,326	114,910	97,471
Restricted for Streets	618,825	448,609	319,781	56,300	202,518	277,209	171,898	221,653	262,335	289,674
Assigned - Subsequent Year's Expenditures	365,790	880,450	784,600	916,940	867,860	1,009,920	929,690	929,710	881,240	1,318,210
Unassigned	8,457,101	7,528,389	8,818,706	9,225,343	8,177,929	7,812,850	7,169,323	7,022,022	5,822,117	6,410,105
Total General Fund	\$ 10,381,040	\$ 10,269,547	\$ 11,054,428	\$ 11,104,641	\$ 10,211,682	\$ 9,907,961	\$ 9,105,483	\$ 9,202,096	\$ 8,369,120	\$ 8,921,295
All Non-Major Funds										
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	\$ 1,000	\$ 253,900	\$ 11,254
Restricted for Economic Development	-	-	-	59,272	358,502	230,703	83,380	57,964	66,650	42,765
Restricted for Public Safety	-	-	-	-	-	-	-	-	-	3,191,465
Restricted for Recreation	-	-	-	-	-	-	-	3,005	-	-
Restricted for Transportation	281,985	278,462	273,319	269,116	207,018	2,022,107	1,766,967	1,735,232	971,460	1,339,191
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	57,900	57,000	84,840
Unassigned	-	-	-	-	-	-	-	(95,431)	(278,172)	-
Total All Non-Major Funds	\$ 281,985	\$ 278,462	\$ 273,319	\$ 328,388	\$ 565,520	\$ 2,252,810	\$ 1,850,347	\$ 1,759,670	\$ 1,070,838	\$ 4,669,515
Total All Governmental Funds	\$ 10,663,025	\$ 10,548,009	\$ 11,327,747	\$ 11,433,029	\$ 10,777,202	\$ 12,160,771	\$ 10,955,830	\$ 10,961,766	\$ 9,439,958	\$ 13,590,810

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

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes by Source:										
Property Tax	\$ 5,179,522	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670	\$ 6,674,560	\$ 6,909,539	\$ 6,937,950	\$ 7,020,873	\$ 7,043,950
Sales Tax	2,191,223	2,407,414	2,551,264	2,757,165	2,586,493	2,430,837	2,205,038	2,237,626	2,257,061	2,404,611
Other Taxes	79,741	76,151	79,707	76,478	80,352	88,077	158,441	487,152	546,179	531,601
Unrestricted Intergovernmental	847,401	874,925	912,419	981,492	1,157,165	1,149,114	1,179,906	1,201,158	1,277,026	1,298,877
Restricted Intergovernmental	785,731	2,390,042	1,320,271	658,093	699,273	744,405	1,113,434	975,848	1,393,807	746,011
Permits and Fees	82,210	67,867	169,562	143,643	35,510	18,252	21,647	25,573	21,893	49,631
Sales and Services	104,708	117,725	170,312	200,012	217,213	237,772	241,313	251,706	269,352	245,361
Investment Earnings	88,294	268,504	620,041	1,080,909	881,739	259,049	43,068	24,430	15,046	11,961
Miscellaneous	123,661	273,129	389,192	66,171	141,330	290,705	156,538	211,301	135,760	141,761
Total Revenues	\$ 9,482,491	\$ 11,815,032	\$ 11,709,130	\$ 11,767,279	\$ 12,490,745	\$ 11,892,771	\$ 12,028,924	\$ 12,352,744	\$ 12,936,997	\$ 12,473,761
Expenditures										
Current:										
General Government	3,515,848	3,759,810	1,659,478	1,695,560	2,048,160	1,946,835	2,103,217	2,052,333	2,153,295	2,374,571
Public Safety	4,731,263	5,360,838	4,676,287	5,449,495	5,667,741	5,919,723	6,472,416	6,018,523	6,322,638	6,999,221
Transportation	1,069,130	2,386,618	2,277,258	1,800,734	2,059,788	1,830,773	2,001,261	2,233,485	3,752,372	2,994,120
Park Maintenance & Drainage	383,006	490,495	567,525	469,048	1,083,802	649,406	527,228	557,500	495,238	463,885
Economic & Physical Development	230,052	197,117	300,194	365,940	901,266	390,748	453,538	262,751	405,416	310,160
Cultural and Recreation	107,953	429,747	133,574	161,687	259,368	903,431	588,305	200,772	237,833	200,928
Capital Outlay – See Capital Asset Expenditures on Next Page										
Debt Service:										
Principal	359,283	471,026	475,296	323,333	323,333	323,333	373,333	373,333	423,333	423,333
Interest and Fees	180,429	234,207	218,542	214,108	189,739	207,856	232,928	219,650	200,890	185,865
Total Expenditures	\$ 10,576,964	\$ 13,329,858	\$ 10,308,154	\$ 10,479,905	\$ 12,533,197	\$ 12,172,105	\$ 12,752,226	\$ 11,918,347	\$ 13,991,015	\$ 13,952,097
Excess of Revenues Over (Under) Expenditures	\$ (1,094,473)	\$ (1,514,826)	\$ 1,400,976	\$ 1,287,374	\$ (42,452)	\$ (279,334)	\$ (723,302)	\$ 434,397	\$ (1,054,018)	\$ (1,478,328)

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100,000	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	-	-	-	6,000,000
Operating Transfers From (To) Other Funds:										
Enterprise Fund: Environmental Services Fund	(513,840)	(576,710)	(613,380)	(412,660)	(540,790)	(292,058)	(387,600)	(249,790)	(285,270)	(269,940)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(875,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)
Water and Sewer Fund	-	529,050	-	-	-	-	-	-	-	-
Health & Welfare Fund	-	-	-	-	-	-	-	-	(81,640)	-
Capital Projects Fund - City Hall Renovation	-	(328,200)	243,651	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	516,417	1,341,600	542,630	1,527,160	865,000	552,760	870,899	313,360	303,840	293,970
Capital Reserve Fund - General Fund Contribution	-	(742,675)	-	(743,516)	(870,323)	-	-	(245,472)	(1,100,266)	-
Capital Projects Fund - Wash Creek Project	-	-	-	-	-	(45,084)	-	-	-	-
Capital Projects Fund - Skate Park Project	-	-	-	-	(175,000)	(114,297)	-	-	-	-
Capital Projects Fund - Fire Station	-	(72,000)	-	-	-	-	-	-	-	(27,600)
Greenways Phase II Grant Fund	-	-	-	-	(202,000)	-	-	-	-	-
Downtown Tax District - General Fund Reimbursement	-	-	-	-	-	75,000	100,000	100,000	100,000	100,000
Downtown Tax District	-	-	-	-	-	-	-	(27,350)	-	-
Downtown Tax District - Main Street Project	-	-	-	-	(494,805)	(110,677)	-	(66,412)	-	(45,000)
Seventh Avenue Tax District - General Fund Contribution	-	-	(5,300)	-	-	(64,500)	(52,800)	(24,690)	(23,390)	(38,080)
Rails-to-Trails Project Grant Fund	-	-	-	-	-	-	-	-	(16,785)	-
Britton Creek Stormwater Master Plan Project	-	-	-	-	-	-	-	(5,556)	-	-
Operating Transfers: Law Enforcement	-	-	-	-	-	-	-	-	-	-
Profit Distribution	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	(542,558)	(686,800)	877,128	(293,201)	(918,099)	-	-	-
Total Other Financing Sources (Uses)	(98,303)	50,185	(475,837)	(1,191,696)	(641,670)	1,707,063	(488,480)	(306,790)	(1,204,391)	5,912,470
Net Change in Fund Balances	(1,192,776)	(1,464,641)	925,139	95,678	(684,122)	1,427,729	(1,211,782)	127,607	(2,258,409)	4,434,142
Capital Asset Expenditures	2,791,190	4,654,349	\$ 1,264,009	\$ 1,361,822	\$ 2,534,977	\$ 1,563,982	\$ 2,021,203	\$ 847,347	\$ 2,348,420	\$ 2,815,434
Debt Service as a Percentage of Noncapital Expenditures (1)	6.9%	8.1%	7.7%	5.9%	5.1%	5.0%	5.6%	5.4%	5.4%	5.5%

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property	Motor Vehicles	Other					
2004	\$ 99,710,031	\$ 884,896,269	\$ 63,347,209	\$ 115,566,748	\$ 6,268,757	\$ 1,157,251,500	\$ 0.83	\$ 1,247,202,145	92.8%
2005	145,568,126	856,918,775	69,166,976	108,786,181	6,795,958	1,173,644,100	0.83	1,357,441,707	86.5%
2006	202,055,495	861,531,281	75,950,930	102,949,041	7,050,933	1,235,435,814	0.83	1,565,824,859	78.9%
2007	434,373,653	670,997,832	93,097,907	115,982,605	6,303,625	1,308,148,372	0.83	1,730,354,989	75.6%
2008	741,201,027	740,981,778	93,606,259	131,903,467	8,099,431	1,699,593,100	0.71	1,713,299,496	99.2%
2009	771,675,117	754,677,553	84,719,211	123,978,975	10,925,656	1,724,125,200	0.71	1,734,539,856	99.4%
2010	816,126,664	727,265,443	75,788,947	128,456,653	12,559,607	1,735,078,100	0.71	1,737,705,121	99.8%
2011	825,118,067	735,001,163	77,596,316	132,738,061	14,801,507	1,755,652,100	0.71	1,757,636,949	99.9%
2012	757,796,620	677,032,408	76,152,188	139,388,978	13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%
2013	750,214,548	681,531,593	79,490,976	133,819,795	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2011. Tax rates are per \$100 of assessed value. Beginning in fiscal year 2001, Henderson County decreased the vehicle tax assessment rate.

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	2,004	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013
City Direct Rates:										
General Fund Rate	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.410	\$ 0.410
Downtown Tax District	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.280	\$ 0.280
Seventh Avenue District	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.120	\$ 0.120
Total Direct Rate	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.810	\$ 0.810
County Rates:										
Henderson County	0.475	0.475	0.515	0.565	0.462	0.462	0.462	0.462	0.5136	0.5136
Town of Fletcher	0.250	0.270	0.270	0.270	0.270	0.270	0.270	0.320	0.3250	0.3250
Town of Laurel Park	0.300	0.310	0.310	0.335	0.270	0.270	0.270	0.310	0.3600	0.3600
Town of Saluda	0.500	0.500	0.500	0.340	0.605	0.605	0.515	0.515	0.6250	0.6050
Town of Mills River	0.070	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.0874	0.0974
Village of Flat Rock	-	-	0.085	0.085	0.075	0.075	0.075	0.075	0.0840	0.0840
Fire (14) District Rates:										
From Lowest	0.060	0.065	0.065	0.065	0.060	0.060	0.060	0.060	0.0650	0.0650
To Highest	0.120	0.115	0.115	0.115	0.115	0.115	0.115	0.115	0.1250	0.1250
Special Purpose District Rates:										
Downtown Tax District	0.300	0.300	0.300	0.300	0.250	0.250	0.250	0.250	0.2800	0.2800
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.080	0.080	0.080	0.080	0.1200	0.1200

Source: Henderson County Tax Assessors Office

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2013

UNAUDITED

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 35,061,735	1	2.15%	\$ 20,958,203	1	2.11%
Boyd L. Hyder	21,383,300	3	1.31%	9,467,200	10	0.95%
Wal-Mart, Inc.	27,733,100	2	1.70%	17,745,969	2	1.78%
Highland Investors, LLC	16,281,222	4	1.00%	-		
Lowe's of Hendersonville	12,263,751	6	0.75%	11,917,150	6	1.20%
First Citizens Bank	-			9,928,810	9	1.00%
Home Depot	11,240,970	9	0.69%	11,792,362	7	1.18%
Blue Ridge Mall, LTD	11,516,971	8	0.71%	13,957,900	4	1.40%
Henderson Crossing Shopping Center	11,588,400	7	0.71%	-		
Triangle Real Estate, Inc.	12,513,000	5	0.77%	9,489,100	8	0.95%
Morris Broadband, LLC	10,982,369	10	0.67%	-		
Lake Point Landing	-			-		
Duke Energy	-			-		
BellSouth	-			16,155,992	3	1.62%
HCRINC Properties	-			12,877,400	5	1.29%
Carolina Village Inc.	-			-		
Totals	<u>\$ 170,564,818</u>		<u>10.46%</u>	<u>\$ 134,290,086</u>		<u>13.49%</u>

Source: Henderson County Tax Assessor's Office.

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 4,575,328	\$ 407,473	\$ 4,982,801	\$ 4,865,280	97.64%	\$ 103,894	\$ 4,969,174	99.73%
2005	4,933,800	118,923	5,052,723	4,944,870	97.87%	188,897	5,133,767	101.60%
2006	5,153,119	161,133	5,314,252	5,198,489	97.82%	124,677	5,323,166	100.17%
2007	5,420,260	209,399	5,629,659	5,503,740	97.76%	103,894	5,607,634	99.61%
2008	5,952,337	490,571	6,442,908	6,314,694	98.01%	103,990	6,418,684	99.62%
2009	6,071,297	488,524	6,559,821	6,335,116	96.57%	72,857	6,407,973	97.69%
2010	6,181,286	415,320	6,596,718	6,405,344	97.10%	234,912	6,640,256	100.66%
2011	6,252,523	428,397	6,680,920	6,471,376	96.86%	195,190	6,666,566	99.79%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%	240,023	6,766,670	100.75%
2013	\$ 6,368,893	\$ 324,190	\$ 6,693,083	\$ 6,553,545	97.92%	\$ 203,672	6,757,217	100.96%

Source: Carland & Andersen, Inc. Annual Audits.

(1) Includes Motor Vehicle Valuation.

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
2004	\$ 1,260,000	\$ -	\$ 3,682,989	\$ 1,940,000	\$ -	\$ 14,602,260	\$ 21,485,249	749.2%	\$ 1,839
2005	1,170,000	-	3,301,962	1,645,000	-	13,453,812	19,570,774	634.9%	1,617
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306	17,644,973	532.7%	1,442
2007	990,000	-	2,683,333	1,070,000	-	11,120,362	15,863,695	441.4%	1,269
2008	900,000	-	2,450,000	790,000	-	19,791,377	23,931,377	625.1%	1,877
2009	2,910,000	-	2,216,667	520,000	-	18,154,326	23,800,993	649.2%	1,831
2010	2,770,000	-	1,983,334	255,000	-	16,505,815	21,514,149	565.4%	1,638
2011	2,630,000	-	1,750,000	-	-	14,822,447	19,202,447	495.6%	1,462
2012	2,440,000	-	1,516,667	-	-	25,289,495	29,246,162	*	2,217
2013	\$ 2,250,000	\$ -	\$ 7,283,333	\$ -	\$ -	\$ 23,503,653	\$ 33,036,986	*	\$ 2,488

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

* Information not available.

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 1,260,000	\$ -	\$ 1,260,000	0.10%	\$ 108
2005	1,170,000	-	1,170,000	0.09%	97
2006	1,080,000	-	1,080,000	0.07%	88
2007	990,000	-	990,000	0.06%	79
2008	900,000	-	900,000	0.05%	71
2009	2,910,000	-	2,910,000	0.17%	224
2010	2,770,000	-	2,770,000	0.16%	211
2011	2,630,000	-	2,630,000	0.15%	200
2012	2,440,000	-	2,440,000	0.15%	185
2013	\$ 2,250,000	\$ -	\$ 2,250,000	0.14%	\$ 169

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

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2013

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	113,831,052	12.37%	14,080,901
Subtotal, Overlapping Debt			<u>14,080,901</u>
City of Hendersonville Direct			<u>9,533,333</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,614,234</u></u>

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	92,704,661	94,435,205	99,398,940	105,156,160	135,967,448	137,930,016	\$ 139,016,410	\$ 140,452,168	\$ 130,930,200	\$ 130,499,448
Total Net Debt Applicable to Debt Limit	20,623,408	18,967,255	18,003,776	15,518,820	23,741,378	23,293,992	21,412,148	19,012,447	29,246,161	33,036,986
Legal Debt Margin	<u>72,081,253</u>	<u>75,467,950</u>	<u>81,395,164</u>	<u>89,637,340</u>	<u>112,226,070</u>	<u>\$ 114,636,024</u>	<u>\$ 117,604,262</u>	<u>\$ 121,439,721</u>	<u>\$ 101,684,039</u>	<u>\$ 97,462,462</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>22.2%</u>	<u>20.1%</u>	<u>18.1%</u>	<u>14.8%</u>	<u>17.5%</u>	<u>16.9%</u>	<u>15.4%</u>	<u>13.5%</u>	<u>22.3%</u>	<u>25.3%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,631,243,100
Debt Limit (8% of Total Assessed Value)	130,499,448
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	30,786,986
Total Bonded Debt	2,250,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>33,036,986</u>
Legal Debt Margin	<u>\$ 97,462,462</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) City Population	(2) County Population	(3) Personal Income (000's)	(4) Per Capita Personal Income	(5) School Enrollment	(6) County Unemployment Rate	(7) State Unemployment Rate	(8) U.S. Unemployment Rate
2003	11,530	94,246	2,669,644	28,326	11,574	3.8%	6.7%	6.2%
2004	11,682	95,797	2,867,627	29,934	11,918	3.1%	5.4%	5.7%
2005	12,106	97,584	3,082,738	31,591	12,292	4.5%	5.3%	5.0%
2006	12,237	100,056	3,312,203	33,103	12,578	3.4%	4.6%	4.8%
2007	12,499	102,270	3,593,713	35,139	13,134	3.9%	4.9%	4.5%
2008	12,747	104,289	3,828,266	36,708	13,322	4.7%	6.2%	5.7%
2009	12,997	105,813	3,666,462	34,650	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,805,442	35,577	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,874,611	36,164	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	*	*	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	*	*	13,517	6.6%	8.8%	7.6%

Data Sources:

- (1) North Carolina State Planning Office.
- (2) North Carolina State Planning Office.
- (3) US Dept. of Commerce - Bureau of Economic Analysis
- (4) US Dept. of Commerce - Bureau of Economic Analysis - Per Capita & Total Personal Income Estimated for 2011 and not available for 2012
- (5) Henderson County Public Schools
- (6) Employment Security Commission
- (7) Employment Security Commission
- (8) Employment Security Commission

* Information not yet available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2013			2004		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,852	1	14.82%	1,450	1	11.53%
Pardee Hospital	1,253	2	10.02%	1,080	3	9.44%
Park Ridge Hospital	1,125	3	9.00%	500	9	4.72%
Ingles	750	4	4.00%	-		
Henderson County Government	720	5	3.60%	550	7	5.77%
Wilsonart International	680	6	6.00%	750	4	7.86%
Steelcase, Incorporated	680	7	5.56%	680	5	7.13%
Arvin-Meritor	550	8	5.44%	650	6	5.77%
Kyocera Engineering	500	9	5.44%	-		
Wal-Mart	450	10	4.40%	-		
General Electric Lighting	395		4.00%	1,100	2	11.53%
Eaton Corporation	375		3.60%	435	10	4.56%
Continental Tevis	318		3.16%	-		
Kimberly-Clark Corporation	265		3.00%	500	8	5.24%
Totals	9,913		82.04%	7,695		73.55%

Source: Hendersonville Chamber of Commerce

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
UNAUDITED

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities											
General Government:											
Administration	4	4	3	3	3	3	3	3	3	3	3
Finance	4	4	12	12	12	12	12	12	12	12	12
Support Services	8	10	10	10	10	10	11	11	11	12	14
Public Safety:											
Police	45	45	45	45	50	50	50	50	50	50	50
Fire	17	17	17	17	17	17	20	20	20	27	27
Public Works:											
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	3	3	3
Administration	4	4	3	3	3	3	3	3	3	3	3
Streets & Highways	7	7	7	7	7	9	9	9	9	9	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	2	2
Parks & Drainage	8	8	8	8	8	8	8	8	8	8	8
Subtotal	30	30	29	29	29	31	31	31	31	31	31
Business-Type Activities											
Water and Sewer Fund	78	74	66	66	67	67	68	68	68	69	65
Environmental Services Fund	10	10	10	10	10	10	10	10	10	12	14
Total	196	194	192	192	198	200	205	205	205	216	216

Source: Annual Departmental Budgets

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

GASB #44 Statistical Schedules Template - City13

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits Issued:										
Residential	141	244	235	163	92	106	103	95	125	305
Commercial	101	111	99	80	50	76	226	252	147	112
Public Safety - Police										
Physical Arrests	1,979	2,173	2,177	2,736	2,735	2,175	2,120	1,667	1,539	1,646
Traffic Violations	2,861	2,628	2,685	3,631	3,624	3,815	2,997	2,720	2,482	2,631
Parking Violations	3,854	2,353	2,313	2,353	2,358	2,317	1,865	1,980	1,806	2,762
Public Safety - Fire										
Number of Fire Calls Answered	1,478	1,629	1,617	1,703	1,899	1,871	1,842	1,779	2,111	3,270
Inspections Conducted	509	601	620	548	534	1,066	1,997	883	502	478
Water										
Number of Service Connections	21,832	23,105	23,650	24,300	25,301	25,471	25,645	25,618	25,552	25,514
Average Daily Production in Gallons	7,239,000	6,455,000	6,956,000	6,870,000	6,660,000	5,885,000	6,969,500	6,779,145	6,295,637	7,045,082
Sewer										
Number of Service Connections	6,846	7,608	7,700	8,000	8,051	8,118	8,173	8,146	8,274	8,503
Average Daily Treatment in Gallons	3,250,000	3,039,000	2,632,000	2,786,000	2,435,000	2,410,000	2,937,300	2,255,600	2,343,393	2,966,896
Solid Waste										
Refuse Collected (Tons per Year)	4,745	4,774	4,605	4,501	4,324	4,152	3,885	3,550	3,325	3,293
Recycling Collections (Tons per Year)	563	603	708	1,354	1,021	1,083	2,195	1,040	645	744
Scrap Metal (Tons per Year)	-	-	-	-	-	-	17	13	1	3
Cable TV Subscribers										
City	2,019	2,024	3,639	3,336	3,338	3,215	3,062	2,779	2,693	2,628
County	14,283	13,669	11,639	10,405	10,411	10,026	9,548	8,666	8,400	8,198
Flat Rock	1,590	1,575	1,288	1,186	1,187	1,143	1,088	988	958	935
Fletcher	2,001	1,799	1,409	1,260	1,261	1,214	1,156	1,049	1,017	993
Laurel Park	895	898	881	806	806	776	739	671	650	635
Mills River	-	670	1,046	953	953	918	874	794	769	751
Total Subscribers	20,788	20,635	19,902	17,946	17,956	17,292	16,467	14,947	14,487	14,140

Sources: Various City of Hendersonville Deaprtments

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hendersonville										
Public Facilities/Buildings	4	3	3	3	3	3	3	3	4	4
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	30	30	30	34	34	38	38	38	38	38
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	6	6	6	6	6	6	6	6	6	6
Public Service										
Streets (in Miles)	59.10	60.51	62.95	65.04	65.03	65.04	65.36	65.36	65.67	68.20
Street Lights	1,471	1,575	1,580	1,587	1,587	1,617	1,622	1,617	1,617	1,668
Parks and Recreation										
Parks Acreage	99	99	99	99	158	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	7	7	7	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	564	567	569	571	575	578	581	640	620	634
Fire Hydrants	2,062	2,120	2,135	2,140	2,233	2,359	2,446	2,539	2,552	2,585
Sewer										
Sanitary Sewers (Miles)	148	153	154	154	160	165	167	175	176	177
Storm Sewers (Miles)	27	27	27	27	27	27	27	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	3	3	3	3	3	3

Sources: Various City of Hendersonville departments.

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

GASB #44 Statistical Schedules Template - City13

COMPLIANCE SECTION



CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

E.T. Carland, CPA
Trish Check, CPA
Kellie C. Kanipe, CPA
George B. Lee, CPA
Harold C. Reid, CPA

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated November 26, 2013. The financial statements of the City of Hendersonville Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carroll & Anderson, Inc

Hendersonville, North Carolina
November 26, 2013

CITY OF HENDERSONVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND
 STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit J-1

<u>Grantor/Passthrough Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State / Passthrough Grantor's No.</u>	<u>Federal/ Direct and Passthrough Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U. S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Staffing for Adequate Fire and Emergency Response				
Hiring Program for Additional Firemen	97.083		\$ 184,268	
 <u>U. S. Department of Transportation</u>				
Passthrough N. C. Dept. of Transportation				
Governor's Highway Safety Program	20.600			
Bike Safe Hendersonville Program		52013.5.8	37,358	
 State Grants:				
Cash Programs:				
<u>N. C. Department of Transportation:</u>				
Powell Bill Program		32570	_____	_____ 349,978
Total Assistance - All Programs			\$ 221,626	\$ 349,978

Note to the Schedule of Expenditures of Federal and State Awards

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