

CITY OF HENDERSONVILLE, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018



Prepared By: Finance Department

John P. Buchanan, CPA, CLGFO
Finance Director

CITY OF HENDERSONVILLE, NORTH CAROLINA

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**INTRODUCTORY
SECTION**



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

CITY OF HENDERSONVILLE

The City of Four Seasons

FINANCE DEPARTMENT

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

December 17, 2018

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

North Carolina General Statute 159-34 states that “each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards.” Pursuant to that requirement, it is our pleasure to present the Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2018.

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 Greene Finney, LLP, 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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

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Profile of the Government

The City of Hendersonville (“City”) was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2018 population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 14,189.

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

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

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

The City is authorized by the *Machinery Act of North Carolina* to levy a property tax on both real and personal property located within its legal boundaries. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and water and sewer service to more than 60,000 people, both inside and outside the City limits, is provided by the City.

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

Factors Affecting Financial Condition

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

Local Economy

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

It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. The City Council formed a Business Advisory Committee that is made up of seven members of the business community. The purpose of the Committee is to serve in an advisory capacity to the Council to review and discuss existing and/or proposed policies and ordinances that have an impact on businesses and provide recommendations to City Council.

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

Economic vitality is a main focus area for the City Council and they continue to promote policies that encourage growth in all areas of our City, establishing Hendersonville as a good place for all types of business. A key component to continued economic growth is The Henderson County Partnership for Economic Development (The Partnership). The Partnership is a non-profit organization that serves as the professional economic development entity for the County and the five municipalities located within it, managing existing industry, marketing, product development and advocacy programs while positively impacting the employment and investment in the local economy. During the past fiscal year, the Partnership has announced the planned addition of or growth in jobs and or assessed value from the following companies in Henderson County: Kimberly-Clark in Hendersonville \$30 million expansion and 14 new jobs, Kyocera in Hendersonville expansion and 20 new jobs, Mahindra Vehicle Sales and Service Inc. to add headquarters in Henderson County with 22 new jobs.

Several industrial parks are located within the County in addition to sites with quality infrastructure and access. An advanced manufacturing cluster has been cultivated and encouraged in Henderson County, driving significant employment and investment in the plastics, automotive, medical, outdoor recreation, food and beverage, advanced materials, and metals sectors. Local manufacturers in Henderson County produce globally-recognized products that add value to our local economy.

Henderson County has a labor force of approximately 54,000 persons including approximately 5,610 individuals working at 140 manufacturing businesses, payroll is in excess of \$296 million annually and an average annual wage of \$52,767. North Carolina is a right-to-work state, therefore Henderson County virtually has no unionization. The County has one of the lowest unemployment rates in the State at 3.6 % as of June 30, 2018 as compared to the national rate of 4 %.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and agriculture to the region. Apples, which were first planted at the end of the 18th century, continue to be a vital part of the economy today with sales averaging \$31 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. The County, which ranks 7th in the US in apple production, has 5,000+ acres in apple production spread across 150 orchards and farms and produces 65% of the apples grown in North Carolina. The mountain climate and soils are conducive to producing excellent fruit color and flavor.

Agriculture in Henderson County is more than just apple production. Indeed, the County is home to 557 farms producing other crops and protein products. Henderson County is also a major grower of tomatoes and sweet corn (#2 and #3 in state rankings) and is third in NC in combined fruit, vegetable, and berry production. In addition to its prominence in food crops, Henderson County is the second highest producer in the state's "green industry" (greenhouse, ornamental plants and sod production) and is the eighth largest producer of dairy products. Agriculture constitutes about a fifth of the overall economic productivity, making Henderson County a major center for the agricultural industry here in Western North Carolina.

"Value-added" farm products and "local grown" are emerging markets for wholesale and retail sales. This includes the production of wine and cider and other processed farm items. Consumer demand for food produced locally has risen sharply and Henderson County is benefiting as it has a wide variety of agricultural products and is promoting them through a local branding campaign. Retail markets are expanding, along with packing and wholesale distribution facilities. Lakeside Produce announced plans to establish a new greenhouse operation in Henderson County that could eventually be the largest in the state and bring an estimated 150 new jobs. The County also has a different kind of agricultural market known as "entertainment farming" or "agritourism" that began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours, "pick your own" operations, cideries, wine tastings, and vineyard tours. This facet of agriculture is a natural fit for the beautiful mountain area and is expected to grow as more tourists and outdoor enthusiasts discover its existence. The agricultural-related industrial sector should continue to prosper and the increased demand for locally produced products has potential to help sustain family and commercial farms and provide economic and environmental benefits to the community.

Long-term Financial Planning

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

development of assets expected to last several years. Future forecast in the CIP serve the City by helping plan for capital repairs, replacements, and acquisitions, which aides in financial planning to ensure the Cities' fiscal health and credit. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system's capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council.

Relevant Financial Policies

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

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

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

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

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

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

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

Governmental Initiatives and Projects

During the fiscal year the City continued the support and funding of the Economic Investment Fund of Henderson County, which was formed during 2016 in a collaboration with the County and the other municipalities that are part of the Henderson County Partnership for Economic Development. This fund was established to lessen the burdens of government by protecting and advancing Henderson County's quality employment and tax base capacity through product and workforce development. It will improve Henderson County's competitive position for quality jobs, improving the lives of its citizens through poverty alleviation, stimulating activity in economically challenged areas, and providing opportunity for unemployed and under-employed persons. The fund employs a product development strategy focused on identifying, optioning, and preserving real property, and improving the marketability of real property through due diligence, infrastructure improvements, and site development. The fund supports proactive engagement with schools and students, increasing awareness about careers in manufacturing, and encouraging workforce preparedness.

Sound infrastructure is one of the top priorities of the City. A major goal for the City of Hendersonville is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as City Council again committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance. During fiscal year 2018, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road. Additionally, the City continued sidewalk improvements during fiscal year 2018 on North Main Street.

During the fiscal year the City continued working on redevelopment of the Grey Hosiery Mill. This project is part of the City's initiative to advance growth that will provide a connection between the Main Street and Seventh Avenue districts. The City entered into an agreement with Belmont Sayre for a public private partnership to convert the mill to apartments. This redevelopment project is tentatively planned to preserve the original 1915 historic portion of the mill using tax credits. The City intends to minimize public investment but intends to seller finance the City owned properties as well as extend streetscape improvements to the area.

The Mud Creek Dump project continued during fiscal year 2018 in order to conduct an environmental assessment and remediation of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The City will receive reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City began land acquisition and planning in fiscal year 2018 for a new Police Department headquarters that will be located near the Seventh Avenue district. The new headquarters is a major component of plans to help revitalize the Seventh Avenue district and surrounding areas.

The Main Street Service District began a project to provide public restrooms for the Main Street corridor. A property was identified for the project and the City will move forward with acquisition and construction in fiscal year 2019. The Henderson County Tourism Development Authority contributed a portion of the funds for this project.

Water & Sewer Initiatives and Projects

The City of Hendersonville provides high quality water services to approximately 65,000 customers and wastewater services to approximately 21,000 while protecting natural resources and ensuring capacity for sustainable growth.

Several major construction projects were started or continued during the fiscal year ended June 30, 2018 including the following:

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

Water Treatment Plant High-Service Pump Project - This project consists of upgrading all four high service pumps/motors with new, high efficiency pump/motors along with the addition of VFDs (variable frequency drives) on each motor providing for an even greater efficiency of operation of these pumps, which supply treated water to the City distribution system and to our customers. The 'Supervisory Control and Data Acquisition' or SCADA system upgrade project continued in 2018 which will allow the water department to monitor and control the water and sewer infrastructure.

The Etowah Water System Improvement project continued in fiscal year 2018. This project will include the installation of approximately 14,000-ft. of 12-inch ductile iron water main from the proposed booster pumping station to be located adjacent to Morgan Rd. in the Etowah area. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd. These improvements should allow the City to remove several hydro-pneumatic pump stations currently boosting water pressure at some of the higher elevations of the City's water system in the Etowah area.

Wastewater Treatment Plant Generator Project - This project consists of the installation of a new 1,500 kWh generator and ATS (automatic transfer switch) to provide a back-up power supply for the wastewater treatment facility during times of power outages at this facility to reduce the potential for the discharge of untreated wastewater.

The Wastewater Treatment Plant Gravity Filter Project - This project consists of replacing one of the failing gravity sand filters (tertiary treatment) with a new cloth media filtering system which will equal or exceed the existing filtering capacity utilizing two-gravity sand filters. This will allow for a second cloth media filtering system to be installed when expansion of wastewater treatment capacity is required thus potentially doubling the current capacity.

Stormwater Initiatives and Projects

The City's NPDES Phase II MS4 Permit issued by the NC Department of Environmental Quality, requires the City to satisfy six minimum control measures as part of a comprehensive stormwater management program. The goal of two of these measures, Public Education and Outreach and Public Participation/Involvement, are to foster an active, involved, informed, and knowledgeable

community, which is crucial to a successful stormwater management program. Some of the programs supported by the stormwater fund to meet these goals include the rain barrel program, “Trash Trout” stream trash collection, stormwater workshops, and stream clean-up events. During fiscal year 2018, the Stormwater Fund developed a Comprehensive Stormwater Map; developed an ArcGIS online tool to be used for stormwater inspections; and contributed funds to the Buncombe Street stormwater improvements project.

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, 2017. This was the twenty-eighth consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.

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

Sincerely,



John Buchanan, CPA, CLGFO
Finance Director

CITY OF HENDERSONVILLE, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF
YEAR ENDED JUNE 30, 2018

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Ron Stephens

Jeffery Lane Miller

Jerry A. Smith, Jr.

Steve Caraker

CITY STAFF

City Manager – John F. Connet

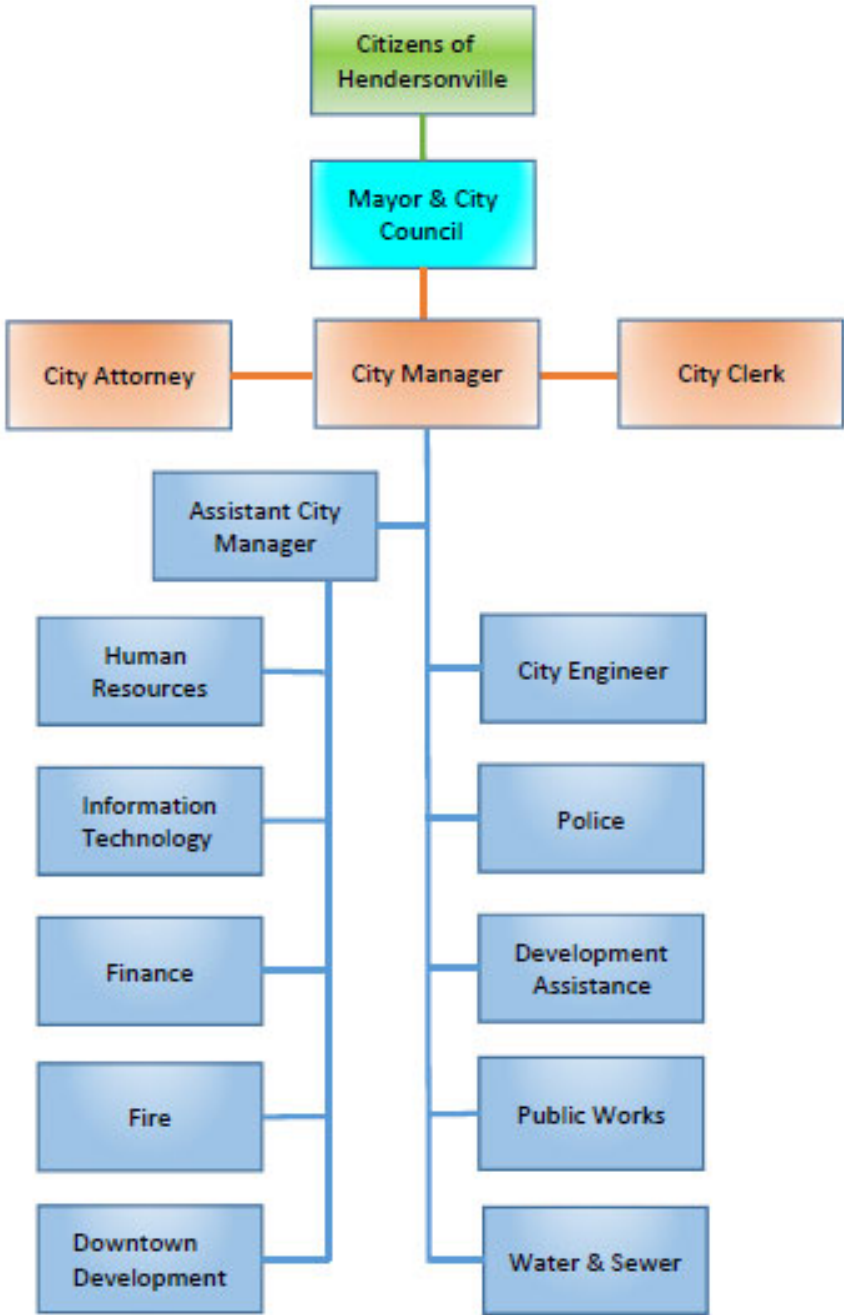
Assistant City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director – John P. Buchanan, CPA, CLGFO

CITY OF HENDERSONVILLE ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Hendersonville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO





**FINANCIAL
SECTION**





Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of 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 (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, City of Hendersonville Board of Alcoholic Control ("ABC Board"). Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board, is based solely on the report of another auditor. 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 from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 and the report of the other auditor, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, the pension plan schedules, and the other postemployment benefit plan schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 City’s basic financial statements. The introductory section, the supplementary information, the statistical section, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
December 17, 2018

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

As management of the City of Hendersonville (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2018 (“2018” or “FY 2018”) compared to the year ended June 30, 2017 (“2017” or “FY 2017”). The intent of this management’s discussion and analysis (“MD&A”) is to look at the City’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the City’s discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding the City’s overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$100,846,000 (total net position for the Primary Government).
- The City adopted Governmental Accounting Standards Board Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (“GASB #75”) for 2018. See “Change in Accounting Principle” in Note I.B in the notes to the financial statements for more details. The City recorded a prior year adjustment as required by GASB #75 which resulted in the beginning total net position for FY 2018 being decreased by approximately \$1,698,000 (See Figure 3).
- The City’s total net position for FY 2018 increased by approximately \$1,793,000 over the restated prior year balance in large part due to an increase in the net position of the Water and Sewer Fund of approximately \$1,579,000.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of approximately \$8,834,000, a decrease of approximately \$425,000 or 5% from the prior year. The decrease is primarily due to funding of several projects which will be recouped through State reimbursement or debt funding in future years.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$3,129,000. The unassigned fund balance for the General Fund is approximately \$3,956,000 which is 25% of total General Fund expenditures for the upcoming fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

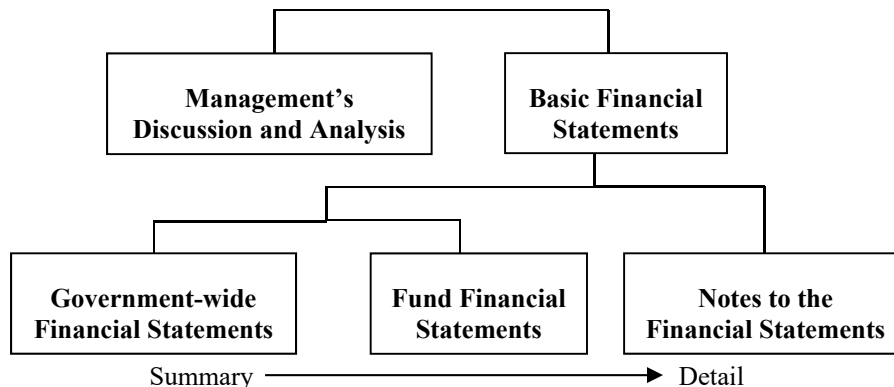
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

Financial Statements

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

Required Components of Annual Financial Report

Figure 1



CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2018 *	2017	2018 *	2017	2018 *
Current and Other Assets	\$ 10,283,015	10,294,818	25,542,862	22,127,190	35,825,877	\$ 32,422,008
Capital Assets	27,014,494	26,541,549	72,446,094	74,767,722	99,460,588	101,309,271
Total Assets	37,297,509	36,836,367	97,988,956	96,894,912	135,286,465	133,731,279
Deferred Pension Charges	1,941,078	1,396,508	1,457,895	991,250	3,398,973	2,387,758
Deferred OPEB Charges	-	136,364	-	42,030	-	178,394
Total Deferred Outflows of Resources	1,941,078	1,532,872	1,457,895	1,033,280	3,398,973	2,566,152
Long-Term Liabilities Outstanding	11,680,446	11,548,957	23,366,692	21,386,978	35,047,138	32,935,935
Other Liabilities	806,329	838,845	1,885,295	1,509,370	2,691,624	2,348,215
Total Liabilities	12,486,775	12,387,802	25,251,987	22,896,348	37,738,762	35,284,150
Deferred Pension Credits	116,157	111,451	74,397	47,938	190,554	159,389
Prepaid Taxes and Billings	4,643	7,634	-	-	4,643	7,634
Total Deferred Inflows of Resources	120,800	119,085	74,397	47,938	195,197	167,023
Net Position:						
Net Investment in Capital Assets	19,614,200	19,926,250	51,388,724	56,252,393	71,002,924	76,178,643
Restricted	3,045,196	4,538,469	-	-	3,045,196	4,538,469
Unrestricted	3,971,616	1,397,633	22,731,743	18,731,513	26,703,359	20,129,146
Total Net Position	\$ 26,631,012	25,862,352	74,120,467	74,983,906	100,751,479	\$100,846,258

*The City implemented GASB # 75 in FY 2018. See Note LB "Change in Accounting Principle" in the notes to the financial statements for more details.

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by approximately \$100,846,000 as of June 30, 2018. The City's net position increased by approximately \$1,793,000 for the fiscal year ended June 30, 2018 largely due to an increase over the prior year restated net position in the Water and Sewer Fund of approximately \$1,579,000.

The largest portion of net position of approximately \$76,179,000 (76%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$4,538,000 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City total net position of approximately \$20,129,000 (20%) is unrestricted.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2018 *	2017	2018 *	2017	2018 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 763,155	858,264	16,496,829	16,683,160	17,259,984	\$ 17,541,424
Operating Grants & Contributions	807,606	703,076	-	-	807,606	703,076
Capital Grants and Contributions	565,917	561,531	679,969	1,820,530	1,245,886	2,382,061
General Revenues:						
Property Taxes	8,302,439	8,563,585	-	-	8,302,439	8,563,585
Other Taxes & Fees	4,724,102	4,725,524	-	-	4,724,102	4,725,524
Other Revenue	338,809	397,952	187,198	303,139	526,007	701,091
Total Revenues	<u>15,502,028</u>	<u>15,809,932</u>	<u>17,363,996</u>	<u>18,806,829</u>	<u>32,866,024</u>	<u>34,616,761</u>
Expenses:						
General Government	3,157,971	3,054,736	-	-	3,157,971	3,054,736
Public Safety	7,773,702	8,503,808	-	-	7,773,702	8,503,808
Transportation	2,452,605	2,498,903	-	-	2,452,605	2,498,903
Environmental Protection	139,054	240,541	-	-	139,054	240,541
Economic and Physical Development	564,691	721,195	-	-	564,691	721,195
Culture and Recreation	1,010,569	960,189	-	-	1,010,569	960,189
Interest on Long-Term Debt	263,137	274,831	-	-	263,137	274,831
Water and Sewer Fund	-	-	18,366,688	15,009,569	18,366,688	15,009,569
Environmental Services Fund	-	-	1,456,781	1,382,440	1,456,781	1,382,440
Storm Water Fund	-	-	-	177,649	-	177,649
Total Expenses	<u>15,361,729</u>	<u>16,254,203</u>	<u>19,823,469</u>	<u>16,569,658</u>	<u>35,185,198</u>	<u>32,823,861</u>
Increase in Net Position Before Transfers	140,299	(444,271)	(2,459,473)	2,237,171	(2,319,174)	1,792,900
Transfers	26,474	534,955	(26,474)	(534,955)	-	-
Change in Net Position	<u>166,773</u>	<u>90,684</u>	<u>(2,485,947)</u>	<u>1,702,216</u>	<u>(2,319,174)</u>	<u>1,792,900</u>
Net Position, Beginning of Year,						
as Previously Reported	26,948,761	26,631,012	76,606,414	74,120,467	103,555,175	100,751,479
Restatement - Adoption of GASB #73	(484,522)	-	-	-	(484,522)	-
Restatement - Adoption of GASB #75	-	(859,344)	-	(838,777)	-	(1,698,121)
Net Position, Beginning of Year, Restated	<u>26,464,239</u>	<u>25,771,668</u>	<u>76,606,414</u>	<u>73,281,690</u>	<u>103,070,653</u>	<u>99,053,358</u>
Net Position, End of Year	<u>\$ 26,631,012</u>	<u>25,862,352</u>	<u>74,120,467</u>	<u>74,983,906</u>	<u>100,751,479</u>	<u>\$ 100,846,258</u>

* The City implemented GASB #75 in FY 2018. See Note 1.B "Change in Accounting Principle" in the notes to the financial statements for more details.

Governmental Activities: Governmental activities increased the City's net position by approximately \$91,000 over the restated prior year. The key element of this increase is due to the increase in Net Investment in Capital Assets. General Fund revenues exceeding expenditures, a detailed explanation for the increase is provided under the Governmental Funds in the Financial Analysis of the City Funds section below.

Business-type Activities: Business-type activities increased the City's net position by approximately \$1,702,000 mostly due to the increase in capital assets.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$3,956,000 with a total fund balance of approximately \$7,543,000 a decrease of approximately \$370,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$1,018,000 for FY 2018. In the upcoming fiscal year 2019 budget, approximately \$612,000 of fund balance is appropriated. 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 for the General Fund as of June 30, 2018 represents 25% percent of total next year General Fund budgeted expenditures.

At June 30, 2018, the governmental funds of the City reported a combined total governmental fund balance of approximately \$8,834,000, a 5% decrease over last year.

The General Fund recorded operating revenues of approximately \$14,437,000 during FY 2018, which was an increase of approximately \$328,000, or 2% over the approximately \$14,109,000 recorded in FY 2017, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$335,000 or 4% over 2017, due to a \$0.01 tax rate increase and increased collection of delinquent taxes.
- Unrestricted Intergovernmental Revenue increased slightly over the prior fiscal year by approximately \$5,000 or <1%
- Sales & Use Tax collections decreased by approximately \$12,000 or less than 1% in the General Fund during fiscal year 2018, compared to the approximately \$12,000 or less than 1% increase seen in the prior year. This is primarily due to the large tax increases made by Mills River, a municipality in Henderson County, and the County itself, because sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. These increases, increased their respective levies and lowered the City's share of the total sales tax revenue. At the county level, sales taxes are pushing 7% to 8% growth, year over year.
- Restricted Intergovernmental Revenue, which includes grants or revenues and contributions received from other governmental entities for a specific purpose, decreased by approximately \$38,000 or 6% of the prior fiscal year. The decrease was due to fewer grants in FY 2018.
- Permits and Fees increased in 2018 by approximately \$114,000 or 79% over 2017. The increase is the result of Fire Department Annual Inspection Fees collected. This was the first full year of fire inspections since the program was adopted.
- Sales and Services revenue decreased by approximately \$62,000 or 15% in total over the prior year. In 2018, the City contracted with the YMCA to manage the pool. The YMCA keeps all revenues from the operation of the pool which resulted in the decrease.
- Investment Income earned on the investment of idle cash of approximately \$121,000 was an increase over the prior year of 5% as rates of return continue to improve. However, the City has recorded an unrealized market adjustment decrease of approximately \$70,000 to record the investments at market value in accordance with generally accepted accounting principles, and resulted in reported earnings of approximately \$51,000 an increase of 28% over the prior fiscal year reported earnings.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Expenditures in the General Fund were approximately \$13,862,000 for fiscal year 2018, which was an increase of approximately \$665,000, or 5% over the approximately \$13,197,000 recorded in fiscal year 2017, primarily due to the following:

- The Fire Department expenditures increased by approximately \$449,000 over the prior year due mostly to the addition of three new personnel and the changes made as a result of the pay and class study.
- Police Department expenditures increased approximately \$298,000 during fiscal year 2018 as compared to the prior year. The increase was mostly due to the addition of two new officers and changes made as a result of a pay and class study.
- The Public Works Building Maintenance division expenditures decreased by approximately \$159,000 due to reduction in capital spending over the prior fiscal year.

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

Several factors contributed to the General Fund actual revenues of approximately \$14,437,000 exceeding the budgeted revenues by approximately \$226,000 or 2%. These include:

- Property Tax collections were 2%, or approximately \$159,000 higher than the amount budgeted, as property tax is generally very conservatively budgeted. The City continues to have a very good collection rate as reflected by the collections for the 2017 tax levy, collected during fiscal year 2018 being 98% collected as of year-end. Subsequent collections to date for previous year's levies account for those collection rates to be above 98% for most tax years.
- Revenues from the ABC Board exceeded the amended budgeted revenues by 35% or approximately \$45,000 above the expected amount.
- Local Sales Tax collections were below the amended budgeted amount by approximately \$21,000, a less than 1% decrease in actual revenue for fiscal year 2018. Share of sales tax collections, which are distributed on a proportional ad valorem tax levy basis, were negatively affected by tax rate increases by the City of Mills River and Henderson County.
- Utility Tax came in approximately \$45,000 or 5% over the revised budget, as the City continues to conservatively budget this revenue source due to legislative changes made to this revenue source in the previous fiscal years.
- The revenue from Telecom Sales Tax continues to decline as it has over the past several years, ending the year approximately \$12,000 and 5% below the budgeted amount.
- Net Investment Income recorded is approximately \$51,000 or 39% below the budgeted amount due to the year-end adjustment to mark the investments to market in accordance with generally accepted accounting principles.
- Sales and Service revenue was less than the budgeted amount by approximately \$47,000 or 12% of the revised budget. The majority of the variance between the actual revenue and the budgeted revenue in the Sales and Services category was due to swimming pool revenues. The City entered into a contract with YMCA to manage the Patton Park pool beginning in the summer of 2018. The YMCA now keeps all revenue from the operation of the pool.

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures ended the year at approximately \$13,862,000, which was approximately \$765,000 or 5% below the approximately \$14,627,000 revised expenditures budget for the fiscal year 2018. The following factors contributed to the reduction of expenditures during fiscal year 2018, these include:

- The Fire Department expenditures were approximately \$110,000 (4%) less than budgeted. The majority of this variance, approximately \$84,000 was related to salaries and benefits due to vacancies during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

- Police Department expenditures came in approximately \$118,000 (2%) below budget. The variance is mostly the result of reduced use of auxiliary officers and over estimates for retirement and health care expenditures.
- The Developmental Assistance Department ended the year with approximately \$83,000 less expenditures than budgeted. A portion of this reduction was caused by reduced salary expenditures due to vacancies during the year, causing actual payroll expenditures to be approximately \$33,000 less than budgeted. The City also budgets an estimated amount each year for the possible expenditures in the Development Assistance department to condemn and demolish buildings that are a potential public safety hazard. During fiscal year 2018, the department had approximately \$14,000 less expenditures than budgeted in that expenditure line.
- The Finance Department variance contributed approximately \$44,000 to the reduction of actual expenditures compared to the fiscal year 2018 budget. The department had personnel vacancies during fiscal year 2017-2018 which led to a reduction in salary, benefit, and training expenditures.
- The Public Works Streets and Highway Department ended the year with approximately \$83,000 or 10% excess budget. This was primarily due to the Maple Street project completed by the department that was funded in the Seventh Avenue Municipal Service District fund.
- The Public Works Traffic Department was \$41,000 under budget during fiscal year 2018, due to over estimates for utility and supplies.
- For fiscal year 2018, the Engineering Department expenditures were approximately \$47,000 (17%) under the final budgeted amount. The variance was the result of open personnel positions and an over estimate for repairs and maintenance of department vehicles.

Non-Major Governmental Funds. Non-Major Governmental Funds include several Special Revenue Funds, several governmental Capital Project funds along with the Debt Service Fund.

Revenues in the non-major governmental funds decreased by approximately \$48,000 over the prior year. The primary reason for the variance is differences in grant and contribution revenue compared to the prior fiscal year.

Other revenue activity in the Non-Major Governmental Funds include the following:

The Main Street Fund is an operating governmental special revenue fund used to record the activities of the Main Street Municipal Tax District, including the Main Street Program and several special events and festivals. The Main Street Fund recorded a fund balance decrease of approximately \$70,000 for fiscal year 2018. The Main Street fund transferred \$100,000 to Main Street public restroom project fund which resulted in the decrease in fund balance

Total Main Street Fund revenues decreased by approximately \$39,000 or 7% below fiscal year 2017. Factors contributing to the decrease in revenues during fiscal year 2018 are as follows:

- Special Events Revenues were approximately \$25,000 less in fiscal year 2018 because the Rhythm and Brews event is now operated by a non-profit entity.
- Miscellaneous revenue was approximately \$21,000 less than the prior year mostly due to a contribution from the Henderson County Tourism Development Authority in fiscal year 2017
- Ad Valorem Taxes increased approximately \$8,000 over the prior year.

Expenditures in the Non-Major Governmental Funds decreased by approximately \$650,000 over the prior year. Key components of these variances between fiscal year 2018 and 2017 include the following:

- The Fire Engine Replacement Project Fund, a Non-Major Governmental Capital Project Fund, recorded expenditures of \$659,000 for the new fire truck purchased during fiscal year 2017.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Non-Major Governmental Funds (Continued)

- The Oklawaha Greenway Phase Three project, a Non-Major Governmental Project Fund, was completed in fiscal year 2017. Expenditures were approximately 167,000.
- Total Main Street Fund expenditures decreased by approximately \$51,000 or 10% below fiscal year 2017. The decrease was the result of reduced expenditures related to the Rhythm and Brews event being taken over by a non-profit
- The Seventh Avenue Fund expenditures increased approximately \$106,000 which is mostly attributed to the Maple Street streetscape project.

Proprietary Funds

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

Water & Sewer Fund

The Water & Sewer Fund recorded approximately \$15,249,000 in operating revenues for fiscal year 2018. This was an approximately \$169,000 and 1% increase over fiscal year 2017. The primary reason for this increase is due to new water and sewer service connections. The following provides further details for the increase in the fund revenues during fiscal year 2018:

- Water Sales Revenue was approximately \$9,559,000 for fiscal year 2018, which was less than 1% lower than the previous year. Sewer Charges increased approximately \$87,000 or 2% over fiscal year 2017.
- Water and Sewer new tap charges increased by approximately \$75,000.
- The Water & Sewer fund recorded an unrealized market adjustment decrease of approximately \$126,000 to record the investments at market value in accordance with generally accepted accounting principles, resulting in reported investment revenue of approximately \$103,000, an increase of approximately \$21,000 over the prior year.

The Water & Sewer Fund recorded approximately \$15,702,000 in operating expenditures for fiscal year 2018. This was approximately \$770,000 and 5% lower than fiscal year 2017.

- The primary reasons for the decrease in operating expenditures during fiscal year 2018 was due to a decrease in capital outlay and debt service.

Water & Sewer Fund Transfers:

- The Water & Sewer Fund transferred out a total of approximately \$4,936,000 during fiscal year 2018. This included approximately \$274,000 to the North Main Sidewalk Construction Project Fund. The Water and Sewer Fund also transferred approximately \$250,000 to the Fletcher Water System Improvement Project, \$410,000 to Water Treatment Plant High Service Pump Replacement Project, \$2,085,000 to the Gravity Filter Replacement Project, approximately \$1,545,000 to WWTP Generator, and \$372,000 to the Wastewater AIA Project. This was approximately \$3,023,000 more than the approximately \$1,913,000 transferred out to Water and Sewer projects in the prior year. Fiscal year 2016 was the initial funding year of many of the capital projects.

Unrestricted net position of the Water and Sewer Fund at the end of 2018 totaled approximately \$18,410,000 which was a decrease of approximately \$3,713,000 (17%) over the prior year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Environmental Service Fund

The Environmental Service Fund total unrestricted net position decreased by 53% to approximately \$239,000 at June 30, 2018 compared to the prior year total of approximately \$508,000 due to expenditures exceeding revenues and the purchase of a new garbage truck.

- Operating revenues were approximately \$1,193,000 and 16% lower for fiscal year 2018 than the previous year due primarily to moving Stormwater into a separate fund.
- Expenditures in the Environmental Service Fund increased by approximately \$63,000 or 5% from the prior year mostly due to the purchase of a new garbage truck.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled approximately \$101,309,000 (net of accumulated depreciation). This was an increase of approximately \$1,849,000 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

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

- Land for the new Police Department Headquarters
- North Main Street Sidewalks
- Twenty-eight Vehicles
- New Key Card Access System
- Sewer Flow Monitor
- GPR Locater System
- Trench Boxes
- Streambank Restoration
- Wastewater Treatment Plant Generator
- Kubota Tractor
- Water & Sewer Lines
- Maple Street Streetscape
- Caterpillar Skid Steer
- Scada Panels

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

City’s Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 4,198,029	4,292,324	2,341,233	2,529,663	6,539,262	\$ 6,821,987
Buildings	8,052,026	7,799,520	814,707	764,048	8,866,733	8,563,568
Other Improvements	1,835,481	1,579,664	18,875	112,686	1,854,356	1,692,350
Machinery and Equipment	2,912,412	2,931,866	2,918,162	3,846,103	5,830,574	6,777,969
Infrastructure	9,599,132	9,172,472	64,857,884	64,400,388	74,457,016	73,572,860
Other (Intangibles)	94,192	66,413	71,657	58,851	165,849	125,264
Construction in Progress	323,222	699,290	1,423,576	3,055,983	1,746,798	3,755,273
Total	\$ 27,014,494	26,541,549	72,446,094	74,767,722	99,460,588	\$ 101,309,271

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

Capital asset purchases are part of the City’s Five-Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on the City’s (Primary Government) capital assets and the ABC Board’s capital assets (which is classified as a Component Unit for the City) can be found in Note III.D in the Notes to the Financial Statements

Long-Term Debt

As of June 30, 2018, the City had total bonded debt outstanding of \$1,343,000. 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’s Outstanding General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
General Obligation Bonds	\$ 1,490,000	1,343,000	-	-	1,490,000	\$ 1,343,000

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City is approximately \$115,297,000.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

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

- Henderson County's unemployment rate continues to be one of the lowest in the state at 3.6% as of June 30, 2018. Neighboring Buncombe County had the lowest unemployment in the state at 3.2% as of June 30, 2018.
- The population of the City of Hendersonville as of 2017 was 14,064. This is an 8.21% increase since 2008. The median resident age is 45.2 years and the median household income was \$36,620 as of 2017.
- Manufacturing has stable growth and contributed to 13% of the job growth from 2009 to 2014. Since 2012, there has been \$722M in new investment and 1,997 new manufacturing jobs announced. In the fourth quarter of 2017, manufacturers paid \$75,753,075 in payroll and accounted for 15% of the workforce. According the Economic Assessment Report of Henderson County, the average weekly wage in manufacturing is \$983, 34% above the overall county average.
- Micro brewing is becoming a big business in Henderson County and craft beer is providing a substantial industry for Western North Carolina. There are three currently open and operating near downtown Hendersonville with more scheduled for 2018-2019.
- The Henderson County Partnership for Economic Development facilitated a grant that was received during fiscal year 2018 from the NC Department of Commerce to provide Rural Infrastructure funding to enable the City to provide water infrastructure to two industrial entities in exchange for the creation of 49 new jobs by Demmel Inc. and Elkament Inc. The City of Hendersonville management continues to work with the Partnership to develop potential industrial and commercial sites to diversify our tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2019

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

The City received an award for Distinguished Budget Presentation by the Government Finance Officers Association ("GFOA") for its annual budget for Fiscal Year 2018. In order to receive this award, a governmental unit must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device. A complete copy of the fiscal year 2019 budget can be found on the City's website at: <http://www.hvlncc.gov/budget>.

The fiscal year ending June 30, 2019 ("2019" or "FY 2019") operating budget totals approximately \$35,476,000 for the City's budgeted operating funds. This is approximately \$3,328,000 or 8%, lower than the approximately \$38,714,000 original FY 2018 budget, due in part to decreases in capital outlay.

Governmental Activities

The fiscal year 2019 budget calls for \$0.02 increase in the tax rate, bringing the ad valorem tax rate to \$0.49 per \$100 in assessed value. This rate is budgeted to generate approximately \$7,795,000 in ad valorem tax revenue and \$615,000 in motor vehicle tax revenue for the fiscal year.

The fiscal year 2019 adopted expenditure budget for the General Fund totals approximately \$16,012,000 which is approximately \$650,000 above the final 2018 fiscal year amended budgeted. The increase is primarily due to a 12% increase in health insurance premiums, addition of three school resource officers ("SRO"), the addition of three new firefighter positions, and natural growth for employee merit increases. The FY 2019 General Fund budget includes the planned use of approximately \$612,000 of fund balance. The General Fund budget for fiscal year 2019 continues City Council's commitment to street maintenance as a major initiative for the fiscal year. As was the case in the previous three years, one cent of the property tax levy was again allocated to add to the Powell Bill expenditure budget for street resurfacing. The additional \$.02 increase levied during fiscal year 2019 was necessary to fund the three additional SROs to provide security for Henderson County Public Schools inside the city limits.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Budget Highlights for the Fiscal Year Ending June 30, 2019 (Continued)

Business-Type Activities

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for approximately 47% of total expenses. The fiscal year 2019 operating budget, not including transfers to the Water and Sewer Capital Projects, totals approximately \$16,539,133 and is 3% lower than the prior fiscal year due to a reduction in capital expenditures and debt service.

The Water and Sewer fund has approximately \$472,000 fund balance appropriated in next year's budget, with a transfer of \$100,000 to the Water and Sewer Capital Reserve fund. This will be used to build a capital reserve designated to pay for economic development projects within the County. In addition to the continuance of several major project initiatives, a strong emphasis remains on reinvesting Water and Sewer Fund retained earnings back into the system in a way that benefits all of our customers inside the City as well as outside of the City limits.

The Environmental Service Fund budgeted operating expenses decreased by approximately \$27,000 or 2% in next year's budget. The decrease is due to a reduction in capital outlay in fiscal year 2019.

The Stormwater Fund operating expense budget, not including transfers, is approximately \$307,000 for fiscal year 2019, an increase of 17% over the prior year. The increase is mainly due to an increase in the Professional Services budget to fund the development of a stormwater master plan.

Capital Improvement Plan

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

Some of the major governmental capital improvement projects planned in next year's budget include the continuation of the North Main street sidewalk project, the annual street resurfacing, the continuation of the Tracey Grove bridge replacement project, City Hall HVAC replacement, Police Department headquarters, Public Works maintenance facility, and improvements to the Whitmire Building.

Several major Water and Sewer capital projects will continue in the fiscal year 2019 budget, including the Northside Water System Improvements project, Gravity Filter Replacement project, the Etowah Water System Improvements, Wastewater Treatment Plant Generator Project, Water Treatment Plant High Service Pump Station project, French Broad Raw Water Intake project, and SCADA project.

The Stormwater Fund plans to complete runoff improvements at Hendersonville Elementary

The Environmental Service Fund has a budget to replace a leaf machine as part of the planned replacement schedule

Additional Information

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

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





Basic Financial Statements

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2018

	PRIMARY GOVERNMENT			COMPONENT
	Governmental	Business-Type	Totals	UNIT
	Activities	Activities		ABC Board
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,442,490	3,626,391	5,068,881	\$ 921,802
Pooled Cash and Cash Equivalents, Restricted	2,106,732	-	2,106,732	-
Pooled Investments	3,760,180	15,040,720	18,800,900	-
Receivables, Net:				
Interest	38,302	77,876	116,178	-
Property Taxes	265,280	-	265,280	-
Accounts	45,198	2,136,108	2,181,306	879
Grants	89,890	169,172	259,062	-
Shared Taxes	1,285,982	1,999	1,287,981	-
Refundable Taxes	338,093	62	338,155	-
Due From Component Unit	75,000	-	75,000	-
Prepays and Inventories	27,447	1,074,862	1,102,309	777,247
Land Held for Sale/Redevelopment	434,566	-	434,566	-
Note Receivable	385,658	-	385,658	-
Capital Assets:				
Non-Depreciable	4,991,614	5,585,646	10,577,260	640,091
Depreciable, Net	21,549,935	69,182,076	90,732,011	936,552
TOTAL ASSETS	36,836,367	96,894,912	133,731,279	3,276,571
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	1,396,508	991,250	2,387,758	82,765
Deferred Other Postemployment Benefit Charges	136,364	42,030	178,394	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,532,872	1,033,280	2,566,152	82,765
LIABILITIES				
Accounts Payable	407,539	990,022	1,397,561	214,311
Accrued Interest Payable	54,862	131,066	185,928	-
Accrued Salaries and Benefits	373,019	284,701	657,720	-
Customer Deposits	1,025	103,581	104,606	-
Other Accrued Liabilities	-	-	-	168,688
Due to Primary Government	-	-	-	75,000
Due to Other Governments	-	-	-	75,000
Unearned Revenues	2,400	-	2,400	-
Non-Current Liabilities:				
Due Within One Year	987,278	2,126,562	3,113,840	-
Due in More Than One Year	10,561,679	19,260,416	29,822,095	152,131
TOTAL LIABILITIES	12,387,802	22,896,348	35,284,150	685,130
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	111,451	47,938	159,389	2,058
Deferred Other Postemployment Benefit Credits	-	-	-	1,880
Prepaid Taxes	7,634	-	7,634	-
TOTAL DEFERRED INFLOWS OF RESOURCES	119,085	47,938	167,023	3,938
NET POSITION				
Net Investment in Capital Assets	19,926,250	56,252,393	76,178,643	1,576,642
Restricted For:				
Stabilization by State Statute	2,658,195	-	2,658,195	-
General Government	424,000	-	424,000	-
Economic Development	58,154	-	58,154	-
Public Safety	94,610	-	94,610	-
Cultural and Recreational	3,030	-	3,030	-
Transportation	1,300,480	-	1,300,480	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	211,629
Unrestricted	1,397,633	18,731,513	20,129,146	851,368
TOTAL NET POSITION	\$ 25,862,352	74,983,906	100,846,258	\$ 2,670,268

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government			Component Unit ABC Board
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$ 3,054,736	25,639	-	16,478	(3,012,619)	-	(3,012,619)	\$ -
Public Safety	8,503,808	468,933	244,513	2,524	(7,787,838)	-	(7,787,838)	-
Transportation	2,498,903	-	385,769	31,501	(2,081,633)	-	(2,081,633)	-
Environmental Protection	240,541	-	-	86,028	(154,513)	-	(154,513)	-
Economic and Physical Development	721,195	-	70,044	100,000	(551,151)	-	(551,151)	-
Culture and Recreational	960,189	363,692	2,750	325,000	(268,747)	-	(268,747)	-
Interest on Long-Term Obligations	274,831	-	-	-	(274,831)	-	(274,831)	-
Total Governmental Activities	16,254,203	858,264	703,076	561,531	(14,131,332)	-	(14,131,332)	-
Business-Type Activities:								
Water and Sewer	15,009,569	15,248,817	-	1,734,238	-	1,973,486	1,973,486	-
Environmental Services	1,382,440	1,192,775	-	-	-	(189,665)	(189,665)	-
Stormwater	177,649	241,568	-	86,292	-	150,211	150,211	-
Total Business-Type Activities	16,569,658	16,683,160	-	1,820,530	-	1,934,032	1,934,032	-
TOTAL - PRIMARY GOVERNMENT	\$ 32,823,861	17,541,424	703,076	2,382,061	(14,131,332)	1,934,032	(12,197,300)	-
COMPONENT UNIT:								
ABC Board	\$ 6,998,309	7,164,645	-	-	-	-	-	166,336
TOTAL - COMPONENT UNIT	\$ 6,998,309	7,164,645	-	-	-	-	-	166,336
General Revenues and Transfers:								
General Revenues:								
Taxes:								
Property Taxes					8,563,585	-	8,563,585	-
Sales Taxes					3,203,984	-	3,203,984	-
Franchise Taxes					1,270,448	-	1,270,448	-
Gross Receipts Tax					11,544	-	11,544	-
Other Taxes					239,548	-	239,548	-
Investment Income					60,808	106,643	167,451	-
Miscellaneous					240,517	188,639	429,156	-
Gain on Sale of Assets					96,627	7,857	104,484	-
Transfers In (Out)					534,955	(534,955)	-	-
Total General Revenues and Transfers					14,222,016	(231,816)	13,990,200	-
CHANGE IN NET POSITION					90,684	1,702,216	1,792,900	166,336
NET POSITION, Beginning of Year, as Previously Reported					26,631,012	74,120,467	100,751,479	2,587,075
Cumulative Change in Accounting Principle - GASB #75					(859,344)	(838,777)	(1,698,121)	(83,143)
NET POSITION, Beginning of Year, Restated					25,771,668	73,281,690	99,053,358	2,503,932
NET POSITION, END OF YEAR					25,862,352	74,983,906	100,846,258	\$ 2,670,268

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Pooled Cash and Cash Equivalents	\$ 1,378,623	-	\$ 1,378,623
Pooled Cash and Cash Equivalents, Restricted	-	2,106,732	2,106,732
Pooled Investments	3,760,180	-	3,760,180
Receivables, Net:			
Interest	37,410	892	38,302
Taxes	251,065	14,215	265,280
Accounts	45,198	-	45,198
Grants	-	89,890	89,890
Shared Taxes	1,307,145	53,837	1,360,982
Refundable Taxes	338,093	-	338,093
Due From Other Funds	785,730	-	785,730
Prepaid Items	26,447	1,000	27,447
Land Held for Sale/Redevelopment	434,566	-	434,566
Note Receivable	-	385,658	385,658
TOTAL ASSETS	\$ 8,364,457	2,652,224	\$ 11,016,681
LIABILITIES			
Accounts Payable	\$ 223,746	166,347	\$ 390,093
Accrued Salaries and Benefits	337,945	6,625	344,570
Customer Deposits	1,025	-	1,025
Due To Other Funds	-	785,730	785,730
Unearned Revenues	-	2,400	2,400
TOTAL LIABILITIES	562,716	961,102	1,523,818
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	251,065	14,215	265,280
Unavailable Revenue - Note Receivable	-	385,658	385,658
Prepaid Taxes	7,634	-	7,634
TOTAL DEFERRED INFLOWS OF RESOURCES	258,699	399,873	658,572
FUND BALANCES			
Nonspendable:			
Prepaid Items	26,447	1,000	27,447
Land Held for Sale/Redevelopment	434,566	-	434,566
Restricted For:			
Stabilization by State Statute	2,513,576	144,619	2,658,195
General Government	-	424,000	424,000
Economic Development	-	58,154	58,154
Public Safety	-	94,610	94,610
Cultural and Recreational	-	3,030	3,030
Transportation	-	1,300,480	1,300,480
Committed - Organic Garden	-	3,230	3,230
Assigned For:			
Subsequent Year's Expenditures	612,000	89,307	701,307
Unassigned	3,956,453	(827,181)	3,129,272
TOTAL FUND BALANCES	7,543,042	1,291,249	8,834,291
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,364,457	2,652,224	\$ 11,016,681

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 8,834,291**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$47,496,484 and the accumulated depreciation was \$20,954,935.	26,541,549
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	265,280
An internal service funds is used by management to charge the costs of health insurance costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	17,972
Note receivables are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	385,658
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.	(54,862)
The City's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.	1,256,761
The City's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	28,296
The City's deferred outflows of resources related to its other postemployment benefit plan (retiree health care plan), a single-employer defined benefit other postemployment benefit plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	136,364
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-Term Debt	(6,615,299)
Compensated Absences	(712,280)
Total OPEB Liability - Health Care Plan	(1,633,247)
Net Pension Liability - LGERS Pension Plan	(1,617,882)
Total Pension Liability - LEOSSA	(970,249)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 25,862,352**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Ad Valorem Taxes	\$ 8,306,638	267,218	\$ 8,573,856
Other Taxes and Licenses	11,544	-	11,544
Unrestricted Intergovernmental Revenue	4,626,256	197,797	4,824,053
Restricted Intergovernmental Revenue	641,574	308,112	949,686
Permits and Fees	257,704	-	257,704
Sales and Services	360,628	70,045	430,673
Investment Earnings	51,086	9,722	60,808
Miscellaneous	181,642	366,946	548,588
TOTAL REVENUES	14,437,072	1,219,840	15,656,912
EXPENDITURES			
Current:			
General Government	2,793,058	-	2,793,058
Public Safety	7,863,883	43,585	7,907,468
Transportation	1,854,504	-	1,854,504
Environmental Protection	-	240,541	240,541
Economic and Physical Development	-	699,373	699,373
Culture and Recreational	726,301	10,868	737,169
Capital Outlay	624,631	744,246	1,368,877
Debt Service:			
Principal Retirement	-	836,995	836,995
Interest	-	231,874	231,874
Bond Issuance Costs	-	29,550	29,550
TOTAL EXPENDITURES	13,862,377	2,837,032	16,699,409
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	574,695	(1,617,192)	(1,042,497)
OTHER FINANCING SOURCES (USES)			
General Obligation Refunding Bond Issued	-	1,352,000	1,352,000
Payment to Refunded Debt Escrow Agent	-	(1,321,397)	(1,321,397)
Insurance Proceeds	49,986	200	50,186
Sale of Capital Assets	1,700	-	1,700
Transfers In	-	1,381,505	1,381,505
Transfers Out	(731,347)	(115,203)	(846,550)
TOTAL OTHER FINANCING SOURCES (USES)	(679,661)	1,297,105	617,444
NET CHANGES IN FUND BALANCES	(104,966)	(320,087)	(425,053)
FUND BALANCES, Beginning of Year	7,648,008	1,611,336	9,259,344
FUND BALANCES, End of Year	\$ 7,543,042	1,291,249	\$ 8,834,291

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (425,053)**

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

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	(10,271)
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(1,352,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,136,995
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	7,990
In the Statement of Activities, the donation of land, improvements and infrastructure from developers and other governments is reported, whereas in the governmental funds, it is not recognized.	16,478
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(79,871)
Changes in the City's LEOSA net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(64,932)
Changes in the City's total other postemployment benefit liability (retiree health care plan) and deferred outflow of resources is not reported in the governmental funds but is reported in the Statement of Activities.	(36,906)
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 the governmental funds.	(15,953)
In the Statement of Activities the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the note receivable received and the net book value of the capital assets sold.	94,927
An internal service fund is used by management to charge the costs of health and dental insurance costs to individual funds. The change in net position for this fund is included in the Statement of Activities.	17,972
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$1,561,890 exceeded cash capital asset additions of \$1,363,198 in the current period.	(198,692)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 90,684**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BUDGETARY COMPARISON STATEMENT - GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 8,147,201	8,147,201	8,306,638	\$ 159,437
Other taxes and licenses	11,800	11,800	11,544	(256)
Unrestricted Intergovernmental Revenue	4,841,925	4,559,925	4,626,256	66,331
Restricted Intergovernmental Revenue	461,521	590,597	641,574	50,977
Permits and Fees	251,900	255,900	257,704	1,804
Sales And Services	401,300	407,400	360,628	(46,772)
Investment Earnings	83,600	83,600	51,086	(32,514)
Miscellaneous Revenues	162,200	154,482	181,642	27,160
TOTAL REVENUES	14,361,447	14,210,905	14,437,072	226,167
EXPENDITURES				
Current:				
General Government	3,199,287	2,985,851	2,793,058	192,793
Public Safety	8,088,218	8,158,940	7,863,883	295,057
Transportation	1,969,257	1,994,525	1,854,504	140,021
Culture and Recreation	760,289	810,478	726,301	84,177
Capital Outlay	636,525	677,683	624,631	53,052
TOTAL EXPENDITURES	14,653,576	14,627,477	13,862,377	765,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(292,129)	(416,572)	574,695	991,267
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	45,193	49,986	4,793
Sale of Capital Assets	10,000	10,000	1,700	(8,300)
Transfers Out	(735,567)	(733,720)	(731,347)	2,373
TOTAL OTHER FINANCING SOURCES (USES)	(725,567)	(678,527)	(679,661)	(1,134)
Fund Balance Appropriated	1,017,696	1,095,099	-	(1,095,099)
NET CHANGE IN FUND BALANCES	\$ -	-	(104,966)	\$ (104,966)
FUND BALANCES, Beginning of Year			7,648,008	
FUND BALANCES, End of Year			\$ 7,543,042	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2018

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 3,355,354	123,226	147,811	3,626,391	\$ 63,867
Pooled Investments	14,852,711	188,009	-	15,040,720	-
Receivable, Net					
Accounts Receivable	1,887,810	165,342	82,956	2,136,108	-
Grants	169,172	-	-	169,172	-
Shared Taxes	-	1,999	-	1,999	-
Refundable Taxes	62	-	-	62	-
Accrued Interest	74,351	3,036	489	77,876	-
Prepaid and Inventories	1,074,862	-	-	1,074,862	-
Total Current Assets	<u>21,414,322</u>	<u>481,612</u>	<u>231,256</u>	<u>22,127,190</u>	<u>63,867</u>
Non-Current Assets:					
Capital Assets:					
Non-Depreciable	5,340,112	11,134	234,400	5,585,646	-
Depreciable, Net	68,387,393	717,059	77,624	69,182,076	-
Total Non-Current Assets	<u>73,727,505</u>	<u>728,193</u>	<u>312,024</u>	<u>74,767,722</u>	<u>-</u>
TOTAL ASSETS	<u>95,141,827</u>	<u>1,209,805</u>	<u>543,280</u>	<u>96,894,912</u>	<u>63,867</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Charges	874,243	117,007	-	991,250	-
Deferred Other Post Employment Benefit Charges	30,822	11,208	-	42,030	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>905,065</u>	<u>128,215</u>	<u>-</u>	<u>1,033,280</u>	<u>-</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	816,580	31,711	141,731	990,022	17,446
Accrued Interest Payable	130,849	217	-	131,066	-
Accrued Salaries and Benefits	248,988	29,771	5,942	284,701	28,449
Customer Deposits	103,581	-	-	103,581	-
Current Portion of Compensated Absences	164,152	15,831	925	180,908	-
Current Portion of Debt	1,914,347	31,307	-	1,945,654	-
Total Current Liabilities	<u>3,378,497</u>	<u>108,837</u>	<u>148,598</u>	<u>3,635,932</u>	<u>45,895</u>
Non-Current Liabilities:					
Net Pension Liability	1,071,020	143,344	-	1,214,364	-
Other Post Employment Benefits	1,167,459	128,010	-	1,295,469	-
Compensated Absences, Less Current Portion	164,152	15,831	925	180,908	-
Debt, Less Current Portion	16,469,090	100,585	-	16,569,675	-
Total Long-Term Liabilities	<u>18,871,721</u>	<u>387,770</u>	<u>925</u>	<u>19,260,416</u>	<u>-</u>
TOTAL LIABILITIES	<u>22,250,218</u>	<u>496,607</u>	<u>149,523</u>	<u>22,896,348</u>	<u>45,895</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Credits	42,279	5,659	-	47,938	-
NET POSITION					
Net Investment in Capital Assets	55,344,068	596,301	312,024	56,252,393	-
Unrestricted	18,410,327	239,453	81,733	18,731,513	17,972
TOTAL NET POSITION	<u>\$ 73,754,395</u>	<u>835,754</u>	<u>393,757</u>	<u>74,983,906</u>	<u>\$ 17,972</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
OPERATING REVENUES					
Charges for Services	\$ 14,434,522	1,192,775	241,568	15,868,865	\$ 342,215
Water and Sewer Taps	443,315	-	-	443,315	-
Other Operating Revenues	370,980	-	-	370,980	22,667
TOTAL OPERATING REVENUES	15,248,817	1,192,775	241,568	16,683,160	364,882
OPERATING EXPENSES					
Administrative	3,471,468	-	-	3,471,468	-
Operations Support	2,003,370	-	-	2,003,370	-
Water Treatment and Distribution	3,290,169	-	-	3,290,169	-
Waste Collection and Treatment	2,293,157	1,242,897	-	3,536,054	-
Water and Sewer Construction	492,337	-	-	492,337	-
Stormwater	-	-	176,065	176,065	-
Risk Management and Employee Benefits	-	-	-	-	346,910
Depreciation	3,008,936	136,661	1,584	3,147,181	-
TOTAL OPERATING EXPENSES	14,559,437	1,379,558	177,649	16,116,644	346,910
OPERATING INCOME (LOSS)	689,380	(186,783)	63,919	566,516	17,972
NON-OPERATING REVENUES (EXPENSES)					
Grant Revenue	253,925	-	-	253,925	-
Interest Earned on Investments	102,657	3,967	19	106,643	-
Interest on Long-Term Obligations	(450,132)	(2,882)	-	(453,014)	-
Gain (Loss) on Sale of Capital Assets	7,857	-	-	7,857	-
Other	111,661	14,524	-	126,185	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	25,968	15,609	19	41,596	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	715,348	(171,174)	63,938	608,112	17,972
Capital Contributions	1,480,313	-	86,292	1,566,605	-
Insurance Proceeds	8,511	1,000	52,943	62,454	-
Transfers In	-	-	90,584	90,584	-
Transfers Out	(625,539)	-	-	(625,539)	-
CHANGE IN NET POSITION	1,578,633	(170,174)	293,757	1,702,216	17,972
NET POSITION, Beginning of Year, as Previously Reported	72,959,750	1,060,717	100,000	74,120,467	-
Cumulative Change in Accounting Principle - GASB #75	(783,988)	(54,789)	-	(838,777)	-
NET POSITION, Beginning of Year, Restated	72,175,762	1,005,928	100,000	73,281,690	-
NET POSITION, End of Year	\$ 73,754,395	835,754	393,757	74,983,906	\$ 17,972

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 15,169,324	1,209,767	211,555	16,590,646	\$ 364,882
Payments to Suppliers for Goods and Services	(8,262,828)	(675,823)	(54,257)	(8,992,908)	(352,945)
Payments for Personal Services	(4,511,336)	(562,383)	(113,867)	(5,187,586)	28,449
Other Receipts (Payments)	120,172	15,524	-	135,696	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,515,332	(12,915)	43,431	2,545,848	40,386
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State and Federal Grants	191,234	-	-	191,234	-
Transfers to Other Funds	(626,539)	1,000	-	(625,539)	-
Transfers from Other Funds	-	-	90,584	90,584	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(435,305)	1,000	90,584	(343,721)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(3,054,796)	(149,886)	(85,734)	(3,290,416)	-
Proceeds on Sale of Capital Assets	18,445	-	-	18,445	-
Bond and Revolving Fund Loan Principal Payments	(2,511,325)	(30,716)	-	(2,542,041)	-
Bond and Revolving Fund Loan Interest Payments	(471,102)	(2,921)	-	(474,023)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,018,778)	(183,523)	(85,734)	(6,288,035)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings	101,140	3,741	(470)	104,411	-
Short Term Investments, Net	3,316,201	41,977	-	3,358,178	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,417,341	45,718	(470)	3,462,589	-
NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS					
	(521,410)	(149,720)	47,811	(623,319)	40,386
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year					
	3,876,764	272,946	100,000	4,249,710	23,481
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year					
	\$ 3,355,354	123,226	147,811	3,626,391	\$ 63,867
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Operating Income (Loss)	\$ 689,380	(186,783)	63,919	566,516	\$ 17,972
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Depreciation Expense	3,008,936	136,661	1,584	3,147,181	-
Other Nonoperating Revenue	120,172	15,524	-	135,696	-
Change in Accounts Representing Operating Activities:					
Accounts Receivable	(109,368)	16,702	(30,013)	(122,679)	-
Shared Taxes Receivable	-	220	-	220	-
Refundable Taxes Receivable	2,844	70	-	2,914	-
Prepays and Inventory	(329,188)	774	-	(328,414)	-
Accounts Payable	(1,013,324)	(1,206)	149	(1,014,381)	(6,035)
Accrued Salaries and Benefits	12,676	(8,560)	5,942	10,058	28,449
Customer Deposits	27,031	-	-	27,031	-
Other Post Employment Benefits	19,591	2,148	-	21,739	-
Compensated Absences	48,556	4,312	1,850	54,718	-
Net Pension Liability	(345,905)	(36,877)	-	(382,782)	-
Deferred Pension Charges	419,145	47,500	-	466,645	-
Deferred Pension Credits	(23,723)	(2,736)	-	(26,459)	-
Deferred Other Post Employment Benefit Charges	(11,491)	(664)	-	(12,155)	-
Net Cash Provided by (Used in) Operating Activities	\$ 2,515,332	(12,915)	43,431	2,545,848	\$ 40,386
Noncash Investing or Financing Items:					
Capital Contributions	\$ 1,480,313	-	86,292	1,566,605	\$ -
Acquisition of Capital Assets Not Yet Paid For	\$ 480,794	-	141,582	622,376	\$ -

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), as applied to governmental 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.

As required by GAAP, the financial statements present the City’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity’s governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity’s resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has one discretely presented component unit.

Component Unit – City of Hendersonville Board of Alcoholic Control (“ABC Board”)

Members of the ABC Board’s governing body are appointed by the City. In addition, the ABC Board is required by State statute to distribute 50% of its surpluses to the General Fund of the City. The remainder is distributed to Henderson County and the Henderson County Board of Public Education. The ABC Board, which has a June 30th year end, is presented as a business-type activity (discrete presented component unit) in the City’s government-wide financial statements. Complete financial statements of the ABC Board may be obtained from its administrative offices at City of Hendersonville Board of Alcoholic Control, 205 South Church Street, Hendersonville, NC 28792.

Related Organizations

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Major Operations

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

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary and Fiduciary Funds (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are generally collected within 60 days after year-end.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the City are recognized as revenue when received/collected by the State. Sales taxes are considered a shared revenue for the City because the tax is levied by Henderson County and then remitted to and distributed by the State.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. Separate financial statements for each fund category are presented – governmental, proprietary, and fiduciary funds are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The City maintains a separately budgeted Capital Reserve Fund which was established to accumulate resources for future equipment acquisitions and capital improvements. For reporting purposes in the basic financial statements, in accordance with GAAP, the Capital Reserve Fund is consolidated into the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following Special Revenue Funds:

The **Main Street Tax District Fund, non-major 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.

The **Seventh Avenue Tax District Fund, non-major 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The *Motor Unit Donations – Police Fund, a non-major fund*, was established to administer motor unit donations for Police. This fund adopts an annual budget.

The *Historic Preservation Commission Fund, a non-major fund*, was established to administer the City’s activities related to historic conservation efforts. This fund adopts an annual budget.

The *Rape Aggression Defense Fund, a non-major fund*, was established to administer restricted funds for the prevention, physical defense, and developing self-reliance, all targeted specifically toward empowering female participants. This fund adopts an annual budget.

The *Needy Persons Fund, a non-major fund*, was established to administer restricted funds for programs targeted for needy persons. This fund adopts an annual budget.

The *Youth Explorers Fund, a non-major fund*, was established to administer restricted funds for programs exposing youth who are interested in law enforcement careers. This fund adopts an annual budget.

The *Kennel Fund, a non-major fund*, was established to administer funds received that are restricted for the care of police dogs. This fund adopts an annual budget.

The *Fire Department Community Fund, a non-major fund*, was established to administer funds received that are restricted for fire department community activities. This fund adopts an annual budget.

The *Drug Forfeiture Fund, a non-major fund*, was established to administer activities related to drug forfeited cash and proceeds of the sale of forfeited properties. This fund adopts an annual budget.

The *Drug Forfeiture Federal Fund, a non-major fund*, was established to administer activities related to the equitable sharing program for federal forfeiture proceeds received from the Department of Justice Asset Forfeiture Program.

The *Governor’s Crime Commission Grant Pill 16-17 Fund, a non-major fund*, was established to administer federal grants allocated from the State for crime prevention programs. This fund adopts a multi-year project budget.

The *Governor’s Crime Commission Grant Pill 17-18 Fund, a non-major fund*, was established to administer federal grants allocated from the State for crime prevention programs. This fund adopts a multi-year project budget.

The *Governor’s Crime Commission Grant CID-ICAC Fund, a non-major fund*, was established to administer federal grants allocated from the State for crime prevention programs. This fund adopts a multi-year project budget.

The *Bikeped Grant Fund, a non-major fund*, was established to administer grants encouraging municipalities to develop comprehensive bicycle and pedestrian plans. This fund adopts a multi-year project budget.

The *Governor’s Highway Safety Program-Bike Safe Grant 16-17 Fund, a non-major fund*, was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

The *Governor’s Highway Safety Program-Bike Safe Grant 17-18 Fund, a non-major fund*, was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

The *Grey Hosiery Fund, a non-major fund*, was established to account for costs associated with the sale and redevelopment of the Grey Hosier Mill. This fund adopts a multi-year project budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The *Walk of Fame Fund, a non-major fund*, was established to accumulate donations received by the Henderson County Walk of Fame committee fundraisers and to expend those funds on plaques of recognition which will be placed on City property. This fund adopts an annual budget.

The *Capital Project Funds, non-major funds*, are used to account for and report funds that are restricted, committed, or assigned for future capital improvements. The City has the following Capital Project Funds:

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

The *Mud Creek Dump Project Fund, a non-major fund*, was established to account for the costs of an engineering study to determine the future use of a former landfill. This fund adopts a multi-year project budget.

The *Old Tracey Grove Road Project Fund, a non-major fund*, was established to account for the costs associated with replacing a dilapidated bridge on Tracey Grove Road. The City is working with the State of North Carolina – as this project is part of the State's Transportation Improvement Program and the State will provide an 80% refund for the cost of the replacement. This fund adopts a multi-year project budget.

The *Police Department Headquarters Project Fund, a non-major fund*, was established to account for the costs associated with acquisition of land and construction of the new City Police Department Headquarters. This fund adopts a multi-year project budget.

The *Maintenance Facility Project Fund, a non-major fund*, was established to account for the costs associated with construction of the Ground/Building Maintenance Facility. This fund adopts a multi-year project budget.

The *Main Street Public Restroom Project Fund, a non-major fund*, was established to account for the costs associated with construction of the Main Street Corridor Public Restroom and City Downtown Department Offices. This fund adopts a multi-year project budget.

The *Debt Service Fund, a non-major fund*, is used to account for the accumulation of financial resources that are restricted, committed, or assigned for the payment of long-term debt principal, interest, and related costs. This fund adopts an annual budget.

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds are made up of two fund types: Enterprise Funds and Internal Service 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 be 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The City has the following Enterprise Funds:

The *Water and Sewer Fund, a major fund*, is used to account for the City's water and sewer operations. This is a budgeted fund.

The *Environmental Service Fund, a non-major fund*, is used to account for the City's sanitation and recycling operations. This is a budgeted fund.

The *Stormwater Fund, a non-major fund*, is used to account for the City's stormwater operations. This is a budgeted fund.

Internal Service Funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The City has the following Internal Service Fund:

The *Health and Welfare Fund* is used to administer payments for employee health claims. Expenditures of benefits to City staff, employed by the General Fund, the Main Street Tax District Fund, the Water and Sewer Fund, and the Environmental Service Fund are not eliminated in the preparation of the fund financial statements but are eliminated and included with governmental activities in the government-wide financial statements.

Fiduciary Fund Types are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds are made up of four fund types: pension/employee benefit trust funds, investment trust funds, private-purpose trust funds and agency funds. The City utilizes only one fund type – Agency Funds:

Agency Funds are used to account for assets a government holds on behalf of others. Agency Funds are purely custodial in nature and do not involve the measurement of operating results.

The *Fines and Forfeitures Fund* is used to account for various legal fines and forfeitures that the City is required to remit to the Henderson County Board of Public Education.

Change in Accounting Principle

The City adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB #75") for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits ("OPEB"). It is GASB's intention that GASB #75 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

In particular, GASB #75 requires the City to recognize an OPEB liability, any related deferred outflows/inflows of resources, and a more comprehensive measure of OPEB expense for the City's OPEB plan, a single-employer defined benefit OPEB plan ("OPEB Plan"), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption has resulted in the restatement of the City's net position as of July 1, 2017 for its government-wide financial statements and its enterprise funds financial statements to reflect the reporting of an additional OPEB liability and deferred outflows of resources for its OPEB Plan in accordance with the provisions of GASB #75. Net position of the City's government-wide financial statements as of July 1, 2017 was decreased by approximately \$1,698,000, which consisted of approximately \$859,000 for its governmental activities and \$839,000 for its business-type activities, reflecting the cumulative change in accounting principle related to the adoption of GASB #75. See Note IV.C for more information regarding the City's OPEB Plan.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursements and investments and to maximize investment income. The City and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

2. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The City's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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

3. Receivables and Payables

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including but not limited to, taxes, intergovernmental revenue, permits and fees, sales and services, water and sewer, sanitation/recycling, and other fees and charges.

4. Inventories and Prepaid Items

Inventories of materials and supplies are valued at cost (first-in, first-out) which approximates market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids and inventories of the City and ABC Board are accounted for using the consumption method (expensed when consumed).

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation. Public domain (“infrastructure”) general capital assets acquired prior to July 1, 2003, consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets 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’ lives are not capitalized.

Interest costs related to Proprietary Fund construction is capitalized as part of the capitalized value of the asset constructed (if material). Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

The City’s capital assets are depreciated on the straight-line method using the following estimated useful lives:

Computer Equipment	5 years
Computer Software	5 years
Maintenance and Construction Equipment	10 years
Trucks and Autos	7-10 years
Buildings	30 years
Water and Sewer Lines	50 years
Infrastructure - Roads, Sidewalks, Gutters	25 years
Infrastructure - Bridges	50 years

The ABC Board’s capital assets are depreciated on the straight-line method using the following estimated useful lives:

Vehicles	3 years
Computers	5 years
Furniture and Equipment	5-10 years
Real Estate Improvements	5-10 years
Buildings	40 years

6. *Restricted Assets*

In the General Fund, any unspent Powell Bill funds are classified as restricted cash and cash equivalents, 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, because their use is completely restricted to the purpose for which the bonds were issued.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. Restricted Assets (Continued)

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

7. Compensated Absences

The vacation policy of the City generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. For the City's Government-Wide and Proprietary Funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

8. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

9. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4 "*Elements of Financial Statements*", deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. *Deferred Outflows/Inflows of Resources (Continued)*

The City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in the City's Statements of Net Position in connection with the City's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). (2) The City reports *deferred OPEB charges* in the City's Statements of Net Position in connection with the City's OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability of the total OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has four types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The City reports *unavailable revenue – note receivable* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources in the period the amounts become available. (3) The City reports deferred items for prepaid revenues in the governmental funds Balance Sheet and in the government-wide Statement of Net Position; it is deferred and recognized as an inflow of resources in the period for which is intended to finance. (4) The City also reports *deferred pension credits* in its Statements of Net Position in connection with the City's participation in the State's LGERS and LEOSSA. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

10. *Fund Balance*

In accordance with GAAP, the City classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the City consists of:

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

Restricted for General Government – portion of fund balance restricted for general government activities.

Restricted for Economic Development – portion of fund balance restricted for economic development.

Restricted for Public Safety – Portion of fund balance that is restricted by revenue sources for use in public safety activities, due to the sources being primarily from federal and state drug forfeitures and controlled substance tax and amounts donated/received by the City for specific purposes.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Fund Balance (Continued)

Restricted for Cultural and Recreational – portion of fund balance restricted for cultural and recreational.

Restricted for Transportation – portion of Powell Bill unexpended funds, unspent bond proceeds, and other fund balances that are restricted by revenue source for street construction and maintenance expenditures.

Committed – is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City Council (highest level of decision-making authority). Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. A portion of fund balance is committed in the Seventh Avenue Tax District Fund for an organic garden.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council reserves the right to assign fund balance.

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

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

The City adopted a minimum available fund balance policy goal of (a) 25% to 35% of budgeted expenditures for the General Fund and (b) 50 – 75% of budgeted expenditures for the Water and Sewer Fund.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Pensions and Other Postemployment Benefits

In government-wide and Proprietary Fund financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes a net/total pension and OPEB liability for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the plan, or the City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City’s fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

13. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by all funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

15. Accounting Estimates

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

16. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds, except for Capital Projects Funds and grant project Special Revenue Funds. Project ordinances are adopted for Capital Projects Funds and grant project Special Revenue Funds. The capital project Enterprise Funds are consolidated with their respective operating fund for reporting purposes.

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

3. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by City Council and City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by City Council. Budgeted expenditure appropriations lapse at year-end. The budgets at the end of the year for these funds represent the budgets as adopted and amended by the City Council.
4. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end lapse and are generally re-appropriated in the succeeding year's budget.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's or the ABC Board's agent in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018, the City's deposits had a carrying amount of approximately \$5,094,000 and a bank balance of approximately \$5,613,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

At June 30, 2018, the ABC Board's deposits had a carrying amount of approximately \$915,000 and a bank balance of approximately \$867,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2018, the City had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturities in Years		
				< 1 yr	1 - 3 yrs	3 - 5 yrs
Agency Securities	Level 2	AA+/Aaa	\$ 15,522,586	3,559,882	11,962,704	\$ -
NC Local Governments	Level 2	AAA/Aaa	3,245,910	-	3,245,910	-
NCCMT - Government Portfolio	N/A	AAAm	2,113,604	2,113,604	-	-
Total			\$ 20,882,100	5,673,486	15,208,614	\$ -

[^] If available, credit ratings are for Standard & Poor’s and Moody’s Investors Service.

⁽¹⁾ See Note I.C.13 for details of the City’s fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

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

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

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

Concentration of Credit Risk: The City’s Council places no limit on the amount that the City may invest in any one issuer. The City’s had debt securities that were more than 5% of the City’s total investments in the Federal Farm Credit Bank (17.8%), Federal Home Loan Mortgage (27.2%), Federal National Mortgage Association (24.7%), and with Gaston County (12.7%).

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2018 are noted in Note I.C.6 and Note I.C.10 and generally are those imposed by the revenue or financing source (i.e. special revenue, grants, unspent debt proceeds, etc.).

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and investments for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 5,094,413
Fair Value of Investments	20,882,100
Total Deposits and Investments	<u>\$ 25,976,513</u>
Statement of Net Position:	
Pooled Cash and Cash Equivalents	\$ 5,068,881
Pooled Cash and Cash Equivalents, Restricted	2,106,732
Pooled Investments	18,800,900
Total Cash and Investments	<u>\$ 25,976,513</u>

B. Receivables and Unavailable, Deferred, and Unearned Revenues

Property Taxes

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

Gross property taxes receivable of approximately \$415,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$150,000. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

The City's fiscal year 2018 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2017, were levied in July 2017 based on a rate of .470 (.010 increase from prior year), .280 (same as prior year), and .120 (same as prior year) for the General Fund, Main Street Tax District, and Seventh Avenue District, respectively. The City's assessed value of real and personal property for tax year 2017 was approximately \$1.8 billion, \$87.0 million, and \$16.3 million for the City's General Fund rate, Main Street Tax District rate, and Seventh Avenue District rate, respectively.

Effective as of September 1, 2013, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources (when applicable).

Intergovernmental and Other Receivables

The City has other significant intergovernmental and other receivables related to (a) charges for services primarily for its water/sewer, environmental service, and stormwater activities, (b) federal, state, and local grants, and (c) shared and refundable taxes (i.e. sales and use tax, alcoholic beverage, utilities tax, etc.) for revenues primarily collected by the State and remitted to the City.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

Unavailable, Deferred, and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). As of June 30, 2018, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Fund(s)	Deferred Inflows of Resources		Liabilities	Total
		Unavailable	Deferred	Unearned	
Unavailable Revenue - Property Taxes	General	\$ 265,280	-	-	\$ 265,280
Unavailable Revenue - Note Receivable	Special Revenue	385,658	-	-	385,658
Prepaid - Taxes	General/Special Revenue	-	7,634	-	7,634
Unearned Revenues	Special Revenue	-	-	2,400	2,400
Total		<u>\$ 650,938</u>	<u>7,634</u>	<u>2,400</u>	<u>\$ 660,972</u>

C. Interfund Balances and Transfers

The City pools its cash and investments (“Pool”) across funds to maximize its investment performance. Interfund balances at June 30, 2018 consist of individual funds which had a negative equity in the Pool (and thus must reflect this negative equity in the Pool as an interfund payable). Interfund balances at June 30, 2018, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	\$ 785,730	\$ -
Non-Major Governmental Funds:		
Special Revenue Funds	-	38,546
Capital Projects Funds	-	747,184
Totals	<u>\$ 785,730</u>	<u>\$ 785,730</u>

For the year ended June 30, 2018, the City had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ -	\$ 731,347
Non-Major Governmental Funds:		
Special Revenue Funds	76,653	115,203
Capital Projects Funds	742,150	-
Debt Service Fund	562,702	-
Major Enterprise Funds:		
Water/Sewer Fund	-	625,539
Non-Major Enterprise Funds:		
Stormwater Fund	90,584	-
Totals	<u>\$ 1,472,089</u>	<u>\$ 1,472,089</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Balances and Transfers (Continued)

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded. The Water and Sewer Fund transferred out approximately \$626,000 to the Highway 64 Sidewalk Improvement Project Capital Projects Fund to fund water infrastructure improvements. The General Fund transferred out approximately \$563,000 to the Debt Service Fund to service debt.

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 4,198,029	354,295	260,000	-	\$ 4,292,324
Construction In Progress	323,222	376,068	-	-	699,290
Total Capital Assets, Non-Depreciable	4,521,251	730,363	260,000	-	4,991,614
Capital Assets, Depreciable:					
Buildings and Improvements	12,587,758	-	218,834	-	12,368,924
Other Improvements	5,019,066	20,113	-	-	5,039,179
Machinery and Equipment	7,543,863	562,689	247,915	-	7,858,637
Software	413,918	-	-	-	413,918
Infrastructure	16,757,701	66,511	-	-	16,824,212
Total Capital Assets, Depreciable	42,322,306	649,313	466,749	-	42,504,870
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,535,732	234,270	200,598	-	4,569,404
Other Improvements	3,183,585	275,930	-	-	3,459,515
Machinery and Equipment	4,631,451	530,740	235,420	-	4,926,771
Software	319,726	27,779	-	-	347,505
Infrastructure	7,158,569	493,171	-	-	7,651,740
Total Accumulated Depreciation	19,829,063	1,561,890	436,018	-	20,954,935
Total Capital Assets, Depreciable, Net	22,493,243	(912,577)	30,731	-	21,549,935
Governmental Activities Capital Assets, Net	\$ 27,014,494	(182,214)	290,731	-	\$ 26,541,549

Ongoing construction in progress in the City’s governmental activities primarily related to the North Main Street Sidewalks project. The City had a remaining commitment on this project in the amount of approximately \$1,092,000 as of June 30, 2018.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 230,494	\$ 231,152
Public Safety	718,290	462,576
Transportation	373,713	619,895
Economic and Physical Development	17,183	20,155
Culture and Recreation	39,996	228,112
Total - Governmental Activities	<u>\$ 1,379,676</u>	<u>\$ 1,561,890</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 2,341,233	188,430	-	-	\$ 2,529,663
Construction In Progress	1,423,576	2,023,367	-	(390,960)	3,055,983
Total Capital Assets, Non-Depreciable	<u>3,764,809</u>	<u>2,211,797</u>	<u>-</u>	<u>(390,960)</u>	<u>5,585,646</u>
Capital Assets, Depreciable:					
Buildings	1,487,496	-	-	-	1,487,496
Plant and Distributions Systems	100,068,863	1,975,317	22,459	-	102,021,721
Machinery and Equipment	18,621,385	1,287,137	80,576	276,178	20,104,124
Other Improvements	19,034	5,146	-	90,969	115,149
Software	150,640	-	11,000	23,813	163,453
Total Capital Assets, Depreciable	<u>120,347,418</u>	<u>3,267,600</u>	<u>114,035</u>	<u>390,960</u>	<u>123,891,943</u>
Less: Accumulated Depreciation for:					
Buildings	672,789	50,659	-	-	723,448
Plant and Distributions Systems	35,210,979	2,432,813	22,459	-	37,621,333
Machinery and Equipment	15,703,223	634,869	80,071	-	16,258,021
Other Improvements	159	2,304	-	-	2,463
Software	78,983	26,536	917	-	104,602
Total Accumulated Depreciation	<u>51,666,133</u>	<u>3,147,181</u>	<u>103,447</u>	<u>-</u>	<u>54,709,867</u>
Total Capital Assets, Depreciable, Net	<u>68,681,285</u>	<u>120,419</u>	<u>10,588</u>	<u>390,960</u>	<u>69,182,076</u>
Business-Type Activities Capital Assets, Net	<u>\$ 72,446,094</u>	<u>2,332,216</u>	<u>10,588</u>	<u>-</u>	<u>\$ 74,767,722</u>

Ongoing construction in progress in the City's business-type activities represents costs related primarily to the new sewer treatment plant gravity filter and water treatment plant high service pump projects. The City had remaining commitments on these projects in the amount of approximately \$2,541,000 as of June 30, 2018.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for business-type activities were charged to programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water and Sewer	\$ 5,095,111	\$ 3,008,936
Environmental Services	149,886	136,661
Stormwater	234,400	1,584
Total - Business-Type Activities	<u>\$ 5,479,397</u>	<u>\$ 3,147,181</u>

Capital asset activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ABC Board (Component Unit)				
Capital Assets, Non-Depreciable:				
Land	\$ 640,091	-	-	\$ 640,091
Capital Assets, Depreciable:				
Buildings	1,053,192	-	-	1,053,192
Real Estate Improvements	324,946	74,110	-	399,056
Furniture and Equipment	253,518	9,438	-	262,956
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	139,764	7,277	-	147,041
Total Capital Assets, Depreciable	<u>1,798,066</u>	<u>90,825</u>	<u>-</u>	<u>1,888,891</u>
Less: Accumulated Depreciation for:				
Buildings	437,120	21,588	-	458,708
Real Estate Improvements	114,496	18,328	-	132,824
Furniture and Equipment	206,371	16,684	-	223,055
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	98,209	12,897	-	111,106
Total Accumulated Depreciation	<u>882,842</u>	<u>69,497</u>	<u>-</u>	<u>952,339</u>
Total Capital Assets, Depreciable, Net	<u>915,224</u>	<u>21,328</u>	<u>-</u>	<u>936,552</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,555,315</u>	<u>21,328</u>	<u>-</u>	<u>\$ 1,576,643</u>

Capital asset additions and depreciation expense for the ABC Board were as follows:

Capital Asset Additions	Depreciation Expense
<u>\$ 90,825</u>	<u>\$ 69,497</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

The City issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. State Revolving Loans (“SRL”) are loans from the State Clean Water Bond Loan Program for costs associated with water/sewer systems improvements. The Installment Purchase Contracts (“IPC”) are collateralized by the assets being financed and are not secured by the taxing power of the City.

Details on the City’s outstanding debt issues as of June 30, 2018 are as follows:

	<u>Balance at June 30, 2018</u>
<i>General Obligation Bonds</i>	
\$1,352,000 General Obligation Refunding Bond, Series 2017 (general obligation bonds) issued in October 2017 (“GORB – October 2017”), due in annual installments of \$9,000 to \$166,000 beginning on March 1, 2018 through March 1, 2027, plus interest of 2.02% due semi-annually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008.	\$ 1,343,000
<i>State Revolving Loans</i>	
\$13,250,000 State Revolving Loan finalized in November 2001 (“SRL – November 2001”), due in annual installments of \$662,500 beginning on May 1, 2003 through May 1, 2022, plus interest at 2.91% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	2,650,000
\$571,781 State Revolving Loan finalized in May 2011 (“SRL – May 2011”), due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	371,658
\$1,815,000 State Revolving Loan finalized in June 2015 (“SRL – June 2015”), due in annual installments of \$90,750 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek sewer project.	1,542,750
\$4,340,600 State Revolving Loan finalized in July 2015 (“SRL – July 2015”), due in annual installments of \$217,030 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Jackson Park sewer project.	3,689,510
\$3,000,000 State Revolving Loan finalized in March 2016 (“SRL – March 2016”), due in annual installments of \$139,248 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek water/sewer system improvements.	2,367,217
<i>Installment Purchase Contracts</i>	
\$3,500,000 Installment Purchase Contract with Bank of America issued in August 2003 (“IPC – August 2003”), due in semi-annual installments of \$116,667 beginning on April 14, 2004 through October 14, 2018, plus interest at 4.10% due semi-annually. The proceeds of this issue were used to renovate City Hall.	\$ 116,668

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

<i>Installment Purchase Contracts (Continued)</i>	<u>Balance at June 30, 2018</u>
<p>\$11,643,452 Installment Purchase Contract with JPMorgan Chase Bank dated in April 2012 (“MLPA – April 2012”), due in semi-annual installments of \$776,230 beginning on July 1, 2013 through July 1, 2027, plus interest at 2.3583% due semi-annually. The proceeds of this issue were used for the automated water meter project.</p>	\$ 7,762,302
<p>\$6,000,000 Installment Purchase Contract with BB&T issued in April 2013 (“IPC – April 2013”), due in semi-annual installments of \$150,000 beginning on October 5, 2013 through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.</p>	4,500,000
<p>\$302,000 Installment Purchase Contract with Entegra (formerly Macon Bank) issued in September 2015 (“IPC – September 2015”), due in semi-annual installments of \$20,340 to \$22,815 beginning December 1, 2015 through June 1, 2022, plus interest at 1.89% due semi-annually. The proceeds of this issue were used to purchase of a vehicle and parking meters. Approximately 27% and 73% of this IPC is reflected in the City’s governmental and business-type activities, respectively.</p>	176,554
<p>\$242,500 Installment Purchase Contract with Entegra issued in June 2017 (“IPC – June 2017”), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.490% due semi-annually. The proceeds of this issue were used to purchase a fire truck.</p>	\$ 610,969

Interest paid on the certain debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not believe it has an arbitrage liability at June 30, 2018.

The City implemented GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” (“GASB #68”) in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s participation in the statewide Local Governmental Employees’ Retirement System (“LGERS”), a cost-sharing multiple-employer defined benefit pension plan, administered by the State of North Carolina and its related net pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Local Government Employees’ Retirement System” for more details.

The City implemented GASB Statement No. 73 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*” in 2017. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s Law Enforcement Officers Special Separation Allowance (“LEOSSA”), a single-employer defined benefit pension plan, which provides retirement benefits to the City’s qualified sworn law enforcement officers and its total pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance” for more details.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

The City implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in 2018. This statement established standards for the measurement, recognition, and display of OPEB expenditures/expenses, OPEB liabilities, deferred OPEB outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s single-employer defined benefit OPEB plan and its related total OPEB liability (which is shown in the long-term obligation rollforward), see “Note IV.C Postemployment Benefits Other Than Pensions” for more details.

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2018:

Long-Term Obligations	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
General Obligation Bonds:					
GOB - May 1998	\$ 90,000	-	90,000	-	\$ -
GOB – March 2008	1,400,000	-	1,400,000	-	-
GORB – October 2017	-	1,352,000	9,000	1,343,000	166,000
Total General Obligation Bonds	1,490,000	1,352,000	1,499,000	1,343,000	166,000
Installment Purchase Contracts:					
IPC - August 2003	350,001	-	233,333	116,668	116,668
IPC - April 2013	4,800,000	-	300,000	4,500,000	300,000
IPC - September 2014	49,270	-	49,270	-	-
IPC - September 2015	56,023	-	11,361	44,662	11,579
IPC - June 2017	655,000	-	44,031	610,969	36,891
Total Installment Purchase Contracts	5,910,294	-	637,995	5,272,299	465,138
Total Debt	7,400,294	1,352,000	2,136,995	6,615,299	631,138
Compensated Absences	696,327	353,961	338,008	712,280	356,140
Total OPEB Liability	1,605,839	27,408	-	1,633,247	-
Net Pension Liability - LGERS	2,102,508	-	484,626	1,617,882	-
Total Pension Liability - LEOSSA	880,684	89,565	-	970,249	-
Total Governmental Activities	\$ 12,685,652	1,822,934	2,959,629	11,548,957	\$ 987,278

*The Total OPEB Liability balance has been restated due to the adoption of GASB #75. See Note LB "Change in Accounting Principle" for more details.

Resources from the Debt Service Fund (which receives resources from the General Fund) and Main Street Tax District Fund have generally been used to liquidate the City’s governmental activities long-term obligations.

In October 2017, the City issued GORB – October 2017 for \$1,352,000 and used these proceeds to advance refund GOB – March 2008. The City placed the net proceeds of approximately \$1,321,000 into an irrevocable trust, which were used to refund \$1,300,000 of the outstanding balance on GOB – March 2008 maturing on March 1, 2019 through March 1, 2027. The proceeds in the trust were used to redeem the bonds on March 1, 2018, the date the bonds were first callable, at a redemption price of par. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$14,000. This amount was deemed insignificant and will not be amortized over the life of the old debt. This refunding was undertaken to reduce total debt service payments over the next nine years by approximately \$98,000. The economic gain on the refunding was insignificant.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended June 30, 2018:

Long-Term Obligations	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
State Revolving Loans:					
SRF - November 2001	\$ 3,312,500	-	662,500	2,650,000	\$ 662,500
SRF - May 2011	400,247	-	28,589	371,658	28,589
SRF - June 2015	1,633,500	-	90,750	1,542,750	90,750
SRF - July 2015	3,906,540	-	217,030	3,689,510	217,030
SRF - March 2016	2,506,465	-	139,248	2,367,217	139,248
Total Special Obligation Bonds	<u>11,759,252</u>	<u>-</u>	<u>1,138,117</u>	<u>10,621,135</u>	<u>1,138,117</u>
Installment Purchase Contracts:					
IPC - September 2007	596,979	-	596,979	-	-
IPC - April 2012	8,538,532	-	776,230	7,762,302	776,230
IPC - September 2015	162,607	-	30,715	131,892	31,307
Total Installment Purchase Contracts	<u>9,298,118</u>	<u>-</u>	<u>1,403,924</u>	<u>7,894,194</u>	<u>807,537</u>
Total Debt	21,057,370	-	2,542,041	18,515,329	1,945,654
Compensated Absences	307,098	250,073	195,355	361,816	180,908
Total OPEB Liability	1,273,730	21,739	-	1,295,469	-
Net Pension Liability - LGERS	1,597,146	-	382,782	1,214,364	-
Total Business-Type Activities	<u>\$ 24,235,344</u>	<u>271,812</u>	<u>3,120,178</u>	<u>21,386,978</u>	<u>\$ 2,126,562</u>

*The Total OPEB Liability balance has been restated due to the adoption of GASB # 75. See Note LB "Change in Accounting Principle" for more details.

Resources from the Water and Sewer Fund and the Environmental Service Fund have generally been used to liquidate the City's business-type activities long-term obligations.

Following is a summary of debt service requirements to maturity by year for the City's governmental and business-type activities as of June 30, 2018:

Year Ended June 30,	General Obligation Bonds		Installment Purchase Contracts		Total
	Principal	Interest	Principal	Interest	
Governmental Activities:					
2019	\$ 166,000	27,128	465,138	172,913	\$ 831,179
2020	164,000	23,776	349,628	158,853	696,257
2021	161,000	20,462	350,781	147,231	679,474
2022	158,000	17,210	349,028	135,564	659,802
2023	155,000	14,018	340,784	123,850	633,652
2024-2028	539,000	25,372	1,719,972	446,151	2,730,495
2029-2033	-	-	1,696,968	155,321	1,852,289
Totals	<u>\$ 1,343,000</u>	<u>127,966</u>	<u>5,272,299</u>	<u>1,339,883</u>	<u>\$ 8,083,148</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Year Ended June 30,	State Revolving Loans		Installment Purchase Contracts		Total
	Principal	Interest	Principal	Interest	
Business-Type Activities					
2019	\$ 1,138,117	238,321	807,537	176,225	\$ 2,360,200
2020	1,138,117	209,393	808,135	157,320	2,312,965
2021	1,138,117	180,465	808,754	138,396	2,265,732
2022	1,138,117	151,537	812,388	119,619	2,221,661
2023	475,617	122,608	776,230	100,681	1,475,136
2024-2028	2,378,085	468,298	3,881,150	228,821	6,956,354
2029-2033	2,320,907	227,768	-	-	2,548,675
2034-2035	894,058	26,822	-	-	920,880
Totals	\$ 10,621,135	1,625,212	7,894,194	921,062	\$ 21,061,603

IV. OTHER INFORMATION

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

The City carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. There is coverage of \$150,000 for employee dishonesty which covers the finance officer, the tax collector and other employees. The finance officer and the tax collector are also each individually bonded for \$75,000.

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans

Local Governmental Employees' Retirement System

Plan Description

The City is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan, administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.57% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City and by employees were approximately \$901,000 and \$702,000 for the year ended June 30, 2018, respectively.

Refunds of Contributions

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

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

At June 30, 2018, the City reported a liability of approximately \$2,832,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was 0.18539%, which was an increase of 0.01107% from its proportion of 0.17432% measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of approximately \$1,038,000. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 163,164	\$ 80,172
Changes in Assumptions	404,484	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	687,673	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	155,537	31,633
City Contributions Subsequent to the Measurement Date	901,020	-
	<u>\$ 2,311,878</u>	<u>\$ 111,805</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

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

Approximately \$901,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be increase (decrease) pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 223,545
2020	876,285
2021	407,347
2022	(208,124)
Total	<u>\$ 1,299,053</u>

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustments (“COLA”) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 (measurement date) are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,502,466	2,832,246	\$ (1,900,598)

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance

Plan Description

The City administers the Law Enforcement Officers Special Separation Allowance (“Separation Allowance” or “LEOSSA”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	2
Active Plan Members	41
Total	<u>43</u>

Summary of Significant Accounting Policies

Basis of Accounting

The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB #73.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2016 actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.16 percent
Cost of Living Adjustments	N/A

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to the LEOSSA is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid approximately \$44,000 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$970,000. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of approximately \$86,000.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 32,732
Changes of Assumptions and Other Inputs	56,926	14,852
City Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date	18,954	-
Total	<u>\$ 75,880</u>	<u>\$ 47,584</u>

Approximately \$19,000 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 1,367
2020	1,367
2021	1,367
2022	1,367
2023	3,355
Thereafter	519
Total	<u>\$ 9,342</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity of the City’s Total Pension Liability to Changes in the Discount Rate

The following presents the City’s total pension liability calculated using the discount rate of 3.16 percent, as well as what the City’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total Pension Liability	\$ 1,056,010	970,249	\$ 892,253

Schedule of Changes in Total Pension Liability

Schedule of Changes in Total Pension Liability

Total Pension Liability as of December 31, 2016	\$ 880,684
Changes for the Year:	
Service Cost at End of Year	50,871
Interest on the Total Pension Liability	33,536
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(39,137)
Changes of Assumptions and Other Inputs	68,066
Benefit Payments	(23,771)
Other Changes	-
Net Changes	<u>89,565</u>
Total Pension Liability as of December 31, 2017	<u><u>\$ 970,249</u></u>

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The City contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$173,000 which consisted of \$109,000 from the City and \$64,000 from the law enforcement officers.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Firefighter's and Rescue Squad Worker's Pension Plan

Plan Description

The State of North Carolina contributes, on behalf of the City, to the Firefighters' and Rescue Squad Workers' Pension Fund ("FRSWPF"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

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

Contributions and Refunds of Contributions

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The City's proportionate share of the State's contribution was approximately \$7,000. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

The above information was to provide a brief summary of the FRSWPF plan for interested parties. The pension liabilities, pension expense, and deferred outflows/inflows of resources related to this plan are not significant and thus these amounts have not been recorded in the City's financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions

Healthcare Benefit Plan

Plan Description

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

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

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

Plan Membership

As of June 30, 2017, the last actuarial valuation, the following members were covered by the HCB Plan's benefit terms:

	General Employees	Law Enforcement	Total
Retirees and Dependents Receiving Benefits	14	4	18
Active Plan Members	200	45	245
Totals	214	49	263

Plan Benefits and Contributions

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees (\$747 for the measurement period). The City's retirees pay \$934 per month for one dependent or \$1,791 per month for family coverage for the measurement period. The City has chosen to fund the healthcare benefits on a pay as you go basis.

During the year ended June 30, 2017 (measurement period), the City made contributions/benefit payments of approximately \$176,000 or 1.72% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund – Health and Welfare Fund, up to a limit of \$10,000 per individual, with the excess being covered by a private insurer. The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Actuarial Assumptions and Other Inputs

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the total OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its 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 to 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 of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.00%
Discount Rate	3.58% (4.00% for prior measurement date)
Healthcare Cost Trend Rate	6.00% graded to 5.0% from 2023 and beyond
Payroll Growth	3.00% which includes inflation
Coverage Elections	100% of eligible retirees will elect coverage
Active Participation/Marriage	0% of active employees are assumed to be married at retirement with spouses (assumed to be 4 years younger) electing to receive coverage

Mortality rates were based on the RP-2014 table, with post-2006 mortality improvements backed out. Future mortality improvement for the adjusted table is assumed to follow the MP-2017 improvement scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Discount Rate

Pursuant to GASB #75, projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB Plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 3.58% at June 30, 2017 and thus was used for the June 30, 2017 actuarial valuation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Total OPEB Liability and Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ 2,879,569
Changes for the year	
Service cost	124,941
Interest	99,943
Benefit payments	<u>(175,737)</u>
Net changes	<u>49,147</u>
Balance at June 30, 2018	<u>\$ 2,928,716</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 3,251,090	2,928,716	\$ 2,651,018

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 2,633,818	2,928,716	\$ 3,289,565

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

For the year ended June 30, 2018, the City recognized OPEB expense of approximately \$225,000. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City Benefit Payments and Plan Administrative Costs Made Subsequent to the Measurement Date	<u>\$ 178,394</u>	<u>\$ -</u>

Approximately \$178,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative costs made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. There are no other significant amounts of deferred outflows of resources or deferred inflows of resources related to OPEB that will be recognized in expense in future years.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Death Benefit Plan

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan" or "System"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

D. Contingent Liabilities and Commitments

Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City's applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2018.

E. On-Behalf Payments

The City has recognized as revenue and expenditure, on-behalf payments for pension contributions made by the State, for participating employed firefighters in the amount of approximately \$7,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of approximately \$42,000 for the salary supplement and stipend benefits paid to eligible firefighters by the local board of trustees of the Firefighter's Relief Fund during the year ended June 30, 2018. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firefighters or their department.

F. Joint Activities

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

G. 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	\$ 7,543,042
Less:	
Prepaid Items	(26,447)
Land Held for Sale/Redevelopment	(434,566)
Stabilization by State Statute	(2,513,576)
Appropriated Fund Balance for 2019 Budget	(612,000)
Remaining Fund Balance - General Fund	<u>\$ 3,956,453</u>

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

H. Deficit Balance in Non-Major Funds

The Special Revenues – Motor Unit Donations – Police Fund had a deficit fund balance of approximately \$400 at June 30, 2018. The City will recoup the funds through the annual fundraising activities of the Motor Unit.

The Special Revenues – Grey Hosiery Fund had a deficit fund balance of approximately \$36,000 at June 30, 2018. The City will receive reimbursement from the developer for costs incurred for the filing of historic tax credits.

The Capital Projects - Mud Creek Dump Project Fund had a deficit fund balance of approximately \$240,000 at June 30, 2018. The City will be reimbursed for these costs under a work plan approved by the pre-Regulatory Landfill Program through the North Carolina Department of Environment and Natural Resources Division of Waste Management.

The Capital Projects – Police Department Headquarters Project Fund had a deficit fund balance of approximately \$352,000 at June 30, 2018. The City will be reimbursed with proceeds from debt for this project.

The Capital Projects – Maintenance Facility Project Fund had a deficit fund balance of approximately \$109,000 at June 30, 2018. The City will be reimbursed with proceeds from debt for this project.

I. Subsequent Events

In July 2018, the City purchased property for approximately \$475,000 to be used for the Main Street corridor public restroom facility.

In August 2018, the City awarded a bid for approximately \$543,000 to Tarheel Paving for the 2018 resurfacing project.

In August 2018, the City entered into an agreement for approximately \$590,000 with ADW Architects for the architectural and engineering services for the new police station.

In September 2018, the City awarded a bid for approximately \$1,735,000 to Cooper Construction Company, Inc. for the building and grounds maintenance facility project.

In September 2018, the City entered into an agreement for approximately \$694,000 with Education and Research Consortium for the installation of fiber optic cables around the City.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

I. Subsequent Events (Continued)

In September 2018, the City awarded a bid for approximately \$886,000 with Page Power Systems. Inc. for the sewer treatment plant emergency generator project.

In October 2018, the City entered into an installment purchase contract with Pinnacle Financial Partners for \$2,500,000 which is due in semi-annual installments of \$166,000 to \$167,000 beginning October 1, 2019 through October 1, 2033, plus interest of 3.18% due semi-annually. The proceeds will be used to help fund the building and grounds maintenance facility project, Main Street restroom facility, and improvements to Whitmire Building.



**Required
Supplementary
Information**



CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2018	2017
Beginning Balance of the Total Pension Liability	\$ 880,684	\$ 869,979
Changes for the Year:		
Service Cost	50,871	49,449
Interest on Total Pension Liability	33,536	30,213
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	(39,137)	-
Changes of Assumptions or Other Inputs	68,066	(21,588)
Benefit Payments	(23,771)	(47,369)
Other Changes	-	-
Net Changes	89,565	10,705
Ending Balance of the Total Pension Liability	\$ 970,249	\$ 880,684

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior December 31st.

The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2018	2017
Total Pension Liability	\$ 970,249	\$ 880,684
Covered Payroll	\$ 2,160,041	\$ 2,069,581
Total Pension Liability as a Percentage of Covered Payroll	44.92%	42.55%

Notes to Schedule:

The City has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits. The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

LAST FIVE FISCAL YEARS

	Year Ended June 30,			
	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.185390%	0.174320%	0.176930%	0.130250%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,832,246	3,699,654	794,051	(768,146)
City's Covered Payroll	\$ 10,505,338	10,120,748	9,515,789	8,378,808
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	26.96%	36.56%	8.34%	-9.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.18%	91.47%	98.09%	102.64%
				\$ 1,554,945
				\$ 7,471,416
				0.129000%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS**

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 901,020	783,926	691,249	679,268	\$ 598,874
Contributions in Relation to the Contractually Required Contribution:	901,020	783,926	691,249	679,268	598,874
Contribution Deficiency (Excess)	\$ -	-	-	-	\$ -
City's Covered Payroll	\$ 11,705,774	10,505,338	10,120,748	9,515,789	\$ 8,378,808
Contributions as a Percentage of Covered Payroll:	7.70%	7.46%	6.83%	7.14%	7.15%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE

HEALTHCARE BENEFIT PLAN

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FISCAL YEAR

	<u>Year Ended June 30,</u> <u>2018</u>
Total OPEB Liability	
Changes for the Year:	
Service Cost	\$ 124,941
Interest	99,943
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	<u>(175,737)</u>
Net Change in Total OPEB Liability	49,147
Total OPEB Liability - Beginning	<u>2,879,569</u>
Total OPEB Liability - Ending	<u>\$ 2,928,716</u>
Covered Payroll	\$ 10,236,625
Total OPEB Liability as a Percentage of Covered Payroll	28.61

Notes to Schedule:

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

The City implemented GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

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

The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.58%



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

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 8,118,701	8,251,435	\$ 132,734
Penalties and Interest	28,500	55,203	26,703
Total	<u>8,147,201</u>	<u>8,306,638</u>	<u>159,437</u>
Other taxes and licenses:			
Beer and Wine	1,800	2,944	1,144
Local Vehicle Rental Tax	10,000	8,600	(1,400)
Total	<u>11,800</u>	<u>11,544</u>	<u>(256)</u>
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	3,120,000	3,098,832	(21,168)
Payment in Lieu of Taxes (External Sources)	14,925	15,826	901
Utility Sales Tax	900,000	944,847	44,847
Telecommunications Sales Tax	225,000	212,817	(12,183)
Video Franchise Fee	105,000	112,784	7,784
Beer and Wine Tax	60,000	60,915	915
ABC Profit Distribution	130,000	175,000	45,000
Court Fees	5,000	5,235	235
Total	<u>4,559,925</u>	<u>4,626,256</u>	<u>66,331</u>
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	385,768	385,769	1
ABC Revenue for Law Enforcement	40,000	40,000	-
On-Behalf-Of-Payments - Fire and Rescue	-	53,051	53,051
School Resource Officer	37,839	37,838	(1)
HHA Officer Reimbursement	125,000	122,500	(2,500)
FEMA Fire Grant	-	(2,368)	(2,368)
Other Revenue	1,990	4,784	2,794
Total	<u>590,597</u>	<u>641,574</u>	<u>50,977</u>
Permits and Fees:			
Building Permits and Inspection Fees	221,550	232,065	10,515
Business Registration Fee	18,000	17,240	(760)
Special Project Fees	16,350	8,399	(7,951)
Total	<u>\$ 255,900</u>	<u>257,704</u>	<u>\$ 1,804</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES (CONTINUED)			
Sales And Services:			
Facility Rent	\$ 59,000	63,514	\$ 4,514
Recreation Fees	161,500	101,620	(59,880)
Parking Fees	172,000	179,844	7,844
Cemetery Fees	13,000	15,650	2,650
Alarm Fees	1,900	-	(1,900)
Total	<u>407,400</u>	<u>360,628</u>	<u>(46,772)</u>
Investment Earnings	<u>83,600</u>	<u>51,086</u>	<u>(32,514)</u>
Miscellaneous Revenues:			
Parking Violations and Penalties	91,750	89,304	(2,446)
Miscellaneous	62,732	92,338	29,606
Total	<u>154,482</u>	<u>181,642</u>	<u>27,160</u>
TOTAL REVENUES	<u>14,210,905</u>	<u>14,437,072</u>	<u>226,167</u>
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and Employee Benefits	31,608	21,631	9,977
Operating Expenditures	64,814	56,228	8,586
Special Appropriations	257,968	257,968	-
Total	<u>354,390</u>	<u>335,827</u>	<u>18,563</u>
Administration:			
Salaries and Employee Benefits	293,417	292,468	949
Operating Expenditures	128,416	118,107	10,309
Health and Wellness Allocation	178,340	178,340	-
Capital Outlay	29,450	20,095	9,355
Total	<u>629,623</u>	<u>609,010</u>	<u>20,613</u>
Finance:			
Salaries and Employee Benefits	197,726	182,950	14,776
Operating Expenditures	129,250	99,966	29,284
Capital Outlay	400	-	400
Total	<u>327,376</u>	<u>282,916</u>	<u>44,460</u>
City Engineer			
Salaries and Employee Benefits	215,929	184,795	31,134
Operating Expenditures	59,804	43,673	16,131
Total	<u>\$ 275,733</u>	<u>\$ 228,468</u>	<u>\$ 47,265</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)			
Information Technology:			
Operating Expenditures	\$ 401,861	383,112	\$ 18,749
Capital Outlay	47,783	35,675	12,108
Total	<u>449,644</u>	<u>418,787</u>	<u>30,857</u>
Legal Department:			
Salaries and Employee Benefits	107,180	111,614	(4,434)
Operating Expenditures	20,182	14,256	5,926
Total	<u>127,362</u>	<u>125,870</u>	<u>1,492</u>
Fleet Maintenance:			
Salaries and Employee Benefits	250,793	257,589	(6,796)
Operating Expenditures	88,664	63,201	25,463
Total	<u>339,457</u>	<u>320,790</u>	<u>18,667</u>
Building Maintenance:			
Salaries and Employee Benefits	246,787	234,965	11,822
Operating Expenditures	313,112	292,195	20,917
Capital Outlay	50,975	49,329	1,646
Total	<u>610,874</u>	<u>576,489</u>	<u>34,385</u>
Total General Government	<u>3,114,459</u>	<u>2,898,157</u>	<u>216,302</u>
Public Safety:			
Police:			
Salaries and Employee Benefits	4,110,802	4,011,972	98,830
Operating Expenditures	642,534	625,429	17,105
Capital Outlay	308,283	305,995	2,288
Total	<u>5,061,619</u>	<u>4,943,396</u>	<u>118,223</u>
Fire:			
Salaries and Employee Benefits	2,394,482	2,279,485	114,997
Operating Expenditures	554,750	520,337	34,413
Capital Outlay	66,428	53,024	13,404
On-behalf Payments - Firefighter's Relief Fund	-	53,051	(53,051)
Total	<u>\$ 3,015,660</u>	<u>2,905,897</u>	<u>\$ 109,763</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)			
Development Assistance:			
Salaries and Employee Benefits	\$ 353,019	320,427	\$ 32,592
Operating Expenditures	103,353	53,182	50,171
Total	<u>456,372</u>	<u>373,609</u>	<u>82,763</u>
Total Public Safety	<u>8,533,651</u>	<u>8,222,902</u>	<u>310,749</u>
Transportation:			
Public Works Administration:			
Salaries and Employee Benefits	280,323	282,531	(2,208)
Operating Expenditures	63,098	44,816	18,282
Capital Outlay	27,500	26,825	675
Total	<u>370,921</u>	<u>354,172</u>	<u>16,749</u>
Streets and Highways:			
Salaries and Employee Benefits	409,765	391,486	18,279
Operating Expenditures	326,334	261,629	64,705
Capital Outlay	78,000	77,962	38
Total	<u>814,099</u>	<u>731,077</u>	<u>83,022</u>
State Street Aid Allocation:			
Operating Expenditures	<u>475,159</u>	<u>475,153</u>	<u>6</u>
Traffic Engineering:			
Salaries and Employee Benefits	148,685	153,407	(4,722)
Operating Expenditures	291,161	245,482	45,679
Capital Outlay	26,364	25,656	708
Total	<u>466,210</u>	<u>424,545</u>	<u>41,665</u>
Total Transportation	<u>2,126,389</u>	<u>1,984,947</u>	<u>141,442</u>
Culture and Recreation:			
Grounds Maintenance:			
Salaries and Employee Benefits	447,733	457,560	(9,827)
Operating Expenditures	128,556	101,053	27,503
Capital Outlay	42,500	30,070	12,430
Total	<u>\$ 618,789</u>	<u>588,683</u>	<u>\$ 30,106</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
EXPENDITURES (CONTINUED)			
Patton Park Pool:			
Salaries and Employee Benefits	\$ 135,544	86,137	\$ 49,407
Operating Expenditures	98,645	81,551	17,094
Total	<u>234,189</u>	<u>167,688</u>	<u>66,501</u>
Total Culture and Recreation	<u>852,978</u>	<u>756,371</u>	<u>96,607</u>
TOTAL EXPENDITURES	<u>14,627,477</u>	<u>13,862,377</u>	<u>765,100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(416,572)</u>	<u>574,695</u>	<u>991,267</u>
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	45,193	49,986	4,793
Sale of Capital Assets	10,000	1,700	(8,300)
Transfers Out	(733,720)	(731,347)	2,373
TOTAL OTHER FINANCING SOURCES (USES)	<u>(678,527)</u>	<u>(679,661)</u>	<u>(1,134)</u>
Fund Balance Appropriated	<u>1,095,099</u>		<u>(1,095,099)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(104,966)</u>	<u>\$ (104,966)</u>
FUND BALANCE, Beginning of Year		<u>7,648,008</u>	
FUND BALANCE, End of Year		<u>\$ 7,543,042</u>	

Non-Major Governmental Funds

Special Revenue Funds

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

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.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources used for the payment of long-term debt principal, interest, and related costs.



CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Pooled Cash and Cash Equivalents, Restricted	\$ 264,768	1,841,964	-	\$ 2,106,732
Receivables, Net				
Interest	892	-	-	892
Taxes	14,215	-	-	14,215
Grants	3,327	86,563	-	89,890
Shared Taxes	53,837	-	-	53,837
Prepays and Inventories	-	1,000	-	1,000
Note Receivable	385,658	-	-	385,658
TOTAL ASSETS	\$ 722,697	1,929,527	-	\$ 2,652,224
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,871	157,476	-	\$ 166,347
Accrued Salaries and Benefits	6,625	-	-	6,625
Due to Other Funds	38,546	747,184	-	785,730
Unearned Revenues	2,400	-	-	2,400
TOTAL LIABILITIES	56,442	904,660	-	961,102
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	14,215	-	-	14,215
Unavailable Revenue - Note Receivable	385,658	-	-	385,658
TOTAL DEFERRED INFLOWS OF RESOURCES	399,873	-	-	399,873
FUND BALANCES				
Nonspendable:				
Prepaid and Inventories	-	1,000	-	1,000
Restricted For:				
Stabilization by State Statute	58,056	86,563	-	144,619
General Government	-	424,000	-	424,000
Economic Development	58,154	-	-	58,154
Public Safety	94,610	-	-	94,610
Cultural and Recreational	3,030	-	-	3,030
Transportation	-	1,300,480	-	1,300,480
Committed - Organic Garden	3,230	-	-	3,230
Assigned For:				
Subsequent Year's Expenditures	89,307	-	-	89,307
Unassigned	(40,005)	(787,176)	-	(827,181)
TOTAL FUND BALANCES	266,382	1,024,867	-	1,291,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 722,697	1,929,527	-	\$ 2,652,224

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	YOUTH EXPLORERS FUND	KENNEL FUND
ASSETS								
Pooled Cash and Cash Equivalents, Restricted	\$ 16,786	60,055	977	14,972	2,626	9,383	2,853	4,835
Receivables, Net								
Interest	573	319	-	-	-	-	-	-
Taxes	13,331	884	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Shared Taxes	44,699	9,138	-	-	-	-	-	-
Note Receivable	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 75,389	70,396	977	14,972	2,626	9,383	2,853	4,835
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 6,432	-	1,419	-	-	-	-	-
Accrued Salaries and Benefits	6,145	480	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenues	2,400	-	-	-	-	-	-	-
TOTAL LIABILITIES	14,977	480	1,419	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Property Taxes	13,331	884	-	-	-	-	-	-
Unavailable Revenue - Note Receivable	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	13,331	884	-	-	-	-	-	-
FUND BALANCES								
Restricted For:								
Stabilization by State Statute	45,272	9,457	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Economic Development	1,809	56,345	-	-	-	-	-	-
Public Safety	-	-	-	-	1,626	1,883	2,853	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Committed - Organic Garden	-	3,230	-	-	-	-	-	-
Assigned For:								
Subsequent Year's Expenditures	-	-	-	14,972	1,000	7,500	-	4,835
Unassigned	-	-	(442)	-	-	-	-	-
TOTAL FUND BALANCES	47,081	69,032	(442)	14,972	2,626	9,383	2,853	4,835
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 75,389	70,396	977	14,972	2,626	9,383	2,853	4,835

FIRE DEPT COMMUNITY FUND	DRUG FORFEITURE FUND	DRUG FORFEITURE FEDERAL FUND	GOVERNOR'S CRIME COMMISSION GRANT PILL 16-17 FUND	GOVERNOR'S CRIME COMMISSION GRANT PILL 17-18 FUND	GOVERNOR'S CRIME COMMISSION GRANT CID- ICAC FUND	BIKEPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 16-17 FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 17-18 FUND	GREY HOSIERY FUND	WALK OF FAME FUND	TOTAL SPECIAL REVENUE FUNDS
12,678	87,740	44,830	-	-	-	-	-	-	-	7,033	\$ 264,768
-	-	-	-	-	-	-	-	-	-	-	892
-	-	-	-	-	-	-	-	-	-	-	14,215
-	-	-	-	2,975	-	-	-	352	-	-	3,327
-	-	-	-	-	-	-	-	-	-	-	53,837
-	-	-	-	-	-	-	-	-	385,658	-	385,658
12,678	87,740	44,830	-	2,975	-	-	-	352	385,658	7,033	\$ 722,697
-	-	-	-	-	-	-	-	-	1,017	3	\$ 8,871
-	-	-	-	-	-	-	-	-	-	-	6,625
-	-	-	-	2,975	-	-	-	352	35,219	-	38,546
-	-	-	-	-	-	-	-	-	-	-	2,400
-	-	-	-	2,975	-	-	-	352	36,236	3	56,442
-	-	-	-	-	-	-	-	-	-	-	14,215
-	-	-	-	-	-	-	-	-	385,658	-	385,658
-	-	-	-	-	-	-	-	-	385,658	-	399,873
-	-	-	-	2,975	-	-	-	352	-	-	58,056
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	58,154
10,678	37,740	39,830	-	-	-	-	-	-	-	-	94,610
-	-	-	-	-	-	-	-	-	-	3,030	3,030
-	-	-	-	-	-	-	-	-	-	-	3,230
2,000	50,000	5,000	-	-	-	-	-	-	-	4,000	89,307
-	-	-	-	(2,975)	-	-	-	(352)	(36,236)	-	(40,005)
12,678	87,740	44,830	-	-	-	-	-	-	(36,236)	7,030	266,382
12,678	87,740	44,830	-	2,975	-	-	-	352	385,658	7,033	\$ 722,697

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2018

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	POLICE DEPARTMENT HEADQUARTERS PROJECT FUND	MAINTENANCE FACILITY PROJECT FUND	MAIN STREET PUBLIC RESTROOM PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
ASSETS							
Pooled Cash and Cash Equivalents, Restricted Receivables, Net	\$ 1,271,758	-	146,206	-	-	424,000	\$ 1,841,964
Grants	-	86,563	-	-	-	-	86,563
Prepays and Inventories	-	-	-	-	-	1,000	1,000
TOTAL ASSETS	\$ 1,271,758	86,563	146,206	-	-	425,000	\$ 1,929,527
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 117,484	9,455	-	-	30,537	-	\$ 157,476
Due to Other Funds	-	317,376	-	351,771	78,037	-	747,184
TOTAL LIABILITIES	117,484	326,831	-	351,771	108,574	-	904,660
FUND BALANCES							
Nonspendable:							
Prepaid and Inventories	-	-	-	-	-	1,000	1,000
Restricted For:							
Stabilization by State Statute	-	86,563	-	-	-	-	86,563
General Government	-	-	-	-	-	424,000	424,000
Transportation	1,154,274	-	146,206	-	-	-	1,300,480
Unassigned	-	(326,831)	-	(351,771)	(108,574)	-	(787,176)
TOTAL FUND BALANCES	1,154,274	(240,268)	146,206	(351,771)	(108,574)	425,000	1,024,867
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,271,758	86,563	146,206	-	-	425,000	\$ 1,929,527

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Ad Valorem Taxes	\$ 267,218	-	-	\$ 267,218
Unrestricted Intergovernmental	197,797	-	-	197,797
Restricted Intergovernmental	56,179	-	-	56,179
Grant Revenue	34,404	117,529	-	151,933
Special Events Income	70,045	-	-	70,045
State Grants	100,000	-	-	100,000
Investment Earnings	952	8,770	-	9,722
Miscellaneous	41,946	325,000	-	366,946
TOTAL REVENUES	768,541	451,299	-	1,219,840
EXPENDITURES				
Current:				
Public Safety	43,585	-	-	43,585
Environmental Protection	-	240,541	-	240,541
Economic and Physical Development	699,373	-	-	699,373
Cultural and Recreational	10,868	-	-	10,868
Capital Outlay	24,683	719,563	-	744,246
Debt Service:				
Principal	-	-	836,995	836,995
Interest	-	-	231,874	231,874
Bond Issuance Costs	-	-	29,550	29,550
TOTAL EXPENDITURES	778,509	960,104	1,098,419	2,837,032
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,968)	(508,805)	(1,098,419)	(1,617,192)
OTHER FINANCING SOURCES (USES)				
General Obligation Refunding Bond Issued	-	-	1,352,000	1,352,000
Payment to Refunded Debt Escrow Agent	-	-	(1,321,397)	(1,321,397)
Insurance Proceeds	200	-	-	200
Transfers In	76,653	742,150	562,702	1,381,505
Transfers Out	(115,203)	-	-	(115,203)
TOTAL OTHER FINANCING SOURCES (USES)	(38,350)	742,150	593,305	1,297,105
NET CHANGE IN FUND BALANCES	(48,318)	233,345	(505,114)	(320,087)
FUND BALANCES, Beginning of Year	314,700	791,522	505,114	1,611,336
FUND BALANCES, End of Year	\$ 266,382	1,024,867	-	\$ 1,291,249

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2018

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	YOUTH EXPLORERS FUND	KENNEL FUND
REVENUES								
Ad Valorem Taxes	\$ 247,346	19,872	-	-	-	-	-	-
Unrestricted Intergovernmental	164,831	32,966	-	-	-	-	-	-
Restricted Intergovernmental	-	-	-	-	-	-	-	-
Grant Revenue	-	-	-	-	-	-	-	-
Special Events Income	68,417	1,628	-	-	-	-	-	-
State Grants	-	100,000	-	-	-	-	-	-
Investment Earnings	639	313	-	-	-	-	-	-
Miscellaneous	12,820	5,000	1,305	2,076	100	7,050	-	239
TOTAL REVENUES	494,053	159,779	1,305	2,076	100	7,050	-	239
EXPENDITURES								
Current:								
Public Safety	-	-	3,691	-	-	7,959	-	2,025
Economic and Physical Development	464,261	138,876	-	-	-	-	-	-
Cultural and Recreational	-	-	-	5,793	-	-	-	-
Capital Outlay	-	17,183	-	-	-	-	-	7,500
TOTAL EXPENDITURES	464,261	156,059	3,691	5,793	-	7,959	-	9,525
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,792	3,720	(2,386)	(3,717)	100	(909)	-	(9,286)
OTHER FINANCING SOURCES (USES)								
Insurance Proceeds	200	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(100,000)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(99,800)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(70,008)	3,720	(2,386)	(3,717)	100	(909)	-	(9,286)
FUND BALANCES, Beginning of Year	117,089	65,312	1,944	18,689	2,526	10,292	2,853	14,121
FUND BALANCES, End of Year	\$ 47,081	69,032	(442)	14,972	2,626	9,383	2,853	4,835

FIRE DEPT COMMUNITY FUND	DRUG FORFEITURE FUND	DRUG FORFEITURE FEDERAL FUND	GOVERNOR'S CRIME COMMISSION GRANT PILL 16-17 FUND	GOVERNOR'S CRIME COMMISSION GRANT PILL 17-18 FUND	GOVERNOR'S CRIME COMMISSION GRANT CID- ICAC FUND	BIKEPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 16-17 FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 17-18 FUND	GREY HOSIERY FUND	WALK OF FAME FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	-	\$ 267,218
-	-	-	-	-	-	-	-	-	-	-	197,797
-	39,372	16,807	-	-	-	-	-	-	-	-	56,179
-	-	15,870	1,975	2,975	9,807	1,253	2,172	352	-	-	34,404
-	-	-	-	-	-	-	-	-	-	-	70,045
-	-	-	-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	-	-	-	952
7,728	-	-	-	-	-	-	-	-	-	5,628	41,946
7,728	39,372	32,677	1,975	2,975	9,807	1,253	2,172	352	-	5,628	768,541
3,254	6,400	-	1,975	5,950	9,807	-	2,172	352	-	-	43,585
-	-	-	-	-	-	-	-	-	96,236	-	699,373
-	-	-	-	-	-	1,790	-	-	-	3,285	10,868
-	-	-	-	-	-	-	-	-	-	-	24,683
3,254	6,400	-	1,975	5,950	9,807	1,790	2,172	352	96,236	3,285	778,509
4,474	32,972	32,677	-	(2,975)	-	(537)	-	-	(96,236)	2,343	(9,968)
-	-	-	-	-	-	-	-	-	-	-	200
-	-	13,678	-	2,975	-	-	-	-	60,000	-	76,653
-	(13,678)	(1,525)	-	-	-	-	-	-	-	-	(115,203)
-	(13,678)	12,153	-	2,975	-	-	-	-	60,000	-	(38,350)
4,474	19,294	44,830	-	-	-	(537)	-	-	(36,236)	2,343	(48,318)
8,204	68,446	-	-	-	-	537	-	-	-	4,687	314,700
12,678	87,740	44,830	-	-	-	-	-	-	(36,236)	7,030	\$ 266,382

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2018

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	POLICE DEPARTMENT HEADQUARTERS PROJECT FUND	MAINTENANCE FACILITY PROJECT FUND	MAIN STREET PUBLIC RESTROOM PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
REVENUES							
Grant Revenue	\$ -	86,028	31,501	-	-	-	\$ 117,529
Investment Earnings	8,770	-	-	-	-	-	8,770
Miscellaneous	-	-	-	-	-	325,000	325,000
TOTAL REVENUES	8,770	86,028	31,501	-	-	325,000	451,299
EXPENDITURES							
Current:							
Environmental Protection	-	240,541	-	-	-	-	240,541
Capital Outlay	193,572	-	65,646	351,771	108,574	-	719,563
TOTAL EXPENDITURES	193,572	240,541	65,646	351,771	108,574	-	960,104
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(184,802)	(154,513)	(34,145)	(351,771)	(108,574)	325,000	(508,805)
OTHER FINANCING SOURCES (USES)							
Transfers In	625,539	-	16,611	-	-	100,000	742,150
TOTAL OTHER FINANCING SOURCES (USES)	625,539	-	16,611	-	-	100,000	742,150
NET CHANGE IN FUND BALANCES	440,737	(154,513)	(17,534)	(351,771)	(108,574)	425,000	233,345
FUND BALANCES, Beginning of Year	713,537	(85,755)	163,740	-	-	-	791,522
FUND BALANCES, End of Year	\$ 1,154,274	(240,268)	146,206	(351,771)	(108,574)	425,000	\$ 1,024,867

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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - MAIN STREET TAX DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 241,075	243,795	\$ 2,720
Penalties and Interest	2,977	3,551	574
Sales and Use Taxes	161,134	164,831	3,697
Special Events Income	68,443	68,417	(26)
Investment Earnings	50	639	589
Miscellaneous	11,595	12,820	1,225
TOTAL REVENUES	485,274	494,053	8,779
EXPENDITURES			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	140,681	145,883	(5,202)
Operating Expenditures	250,088	234,583	15,505
Special Event Costs	91,585	83,795	7,790
Capital Outlay	3,120	-	3,120
TOTAL EXPENDITURES	485,474	464,261	21,213
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(200)	29,792	29,992
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	200	200	-
Transfers Out	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(99,800)	(99,800)	-
Fund Balance Appropriated	100,000		(100,000)
NET CHANGE IN FUND BALANCE	\$ -	(70,008)	\$ (70,008)
FUND BALANCE, Beginning of Year		117,089	
FUND BALANCE, End of Year		\$ 47,081	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - SEVENTH AVENUE TAX DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 17,294	19,742	\$ 2,448
Penalties and Interest	100	130	30
Sales and Use Taxes	33,333	32,966	(367)
Special Events Income	2,000	1,628	(372)
State Grants	100,000	100,000	-
Investment Earnings	50	313	263
Miscellaneous	5,000	5,000	-
TOTAL REVENUES	157,777	159,779	2,002
EXPENDITURES			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	13,808	14,445	(637)
Operating Expenditures	108,993	124,431	(15,438)
Capital Outlay	68,476	17,183	51,293
TOTAL EXPENDITURES	191,277	156,059	35,218
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,500)	3,720	37,220
Fund Balance Appropriated	33,500		(33,500)
NET CHANGE IN FUND BALANCE	\$ -	3,720	\$ 3,720
FUND BALANCE, Beginning of Year		65,312	
FUND BALANCE, End of Year		\$ 69,032	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - MOTOR UNIT DONATIONS - POLICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ 1,305	1,305	\$ -
TOTAL REVENUES	1,305	1,305	-
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	3,705	3,691	14
TOTAL EXPENDITURES	3,705	3,691	14
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,400)	(2,386)	14
Fund Balance Appropriated	2,400		(2,400)
NET CHANGE IN FUND BALANCE	\$ -	(2,386)	\$ (2,386)
FUND BALANCE, Beginning of Year		1,944	
FUND BALANCE, End of Year		\$ (442)	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - HISTORIC PRESERVATION COMMISSION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ -	2,076	\$ 2,076
TOTAL REVENUES	<u>-</u>	<u>2,076</u>	<u>2,076</u>
EXPENDITURES			
Current:			
Cultural and Recreational:			
Operating Expenditures	15,000	5,793	9,207
TOTAL EXPENDITURES	<u>15,000</u>	<u>5,793</u>	<u>9,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000)</u>	<u>(3,717)</u>	<u>11,283</u>
Fund Balance Appropriated	<u>15,000</u>		<u>(15,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(3,717)</u>	<u>\$ (3,717)</u>
FUND BALANCE, Beginning of Year		<u>18,689</u>	
FUND BALANCE, End of Year		<u>\$ 14,972</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - RAPE AGGRESSION DEFENSE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ -	100	\$ 100
TOTAL REVENUES	<u>-</u>	<u>100</u>	<u>100</u>
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	1,500	-	1,500
TOTAL EXPENDITURES	<u>1,500</u>	<u>-</u>	<u>1,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,500)</u>	<u>100</u>	<u>1,600</u>
Fund Balance Appropriated	<u>1,500</u>		<u>(1,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>100</u>	<u>\$ 100</u>
FUND BALANCE, Beginning of Year		<u>2,526</u>	
FUND BALANCE, End of Year		<u>\$ 2,626</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - NEEDY PERSONS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ 5,300	7,050	\$ 1,750
TOTAL REVENUES	5,300	7,050	1,750
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	13,300	7,959	5,341
TOTAL EXPENDITURES	13,300	7,959	5,341
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,000)	(909)	7,091
Fund Balance Appropriated	8,000		(8,000)
NET CHANGE IN FUND BALANCE	\$ -	(909)	\$ (909)
FUND BALANCE, Beginning of Year		10,292	
FUND BALANCE, End of Year		\$ 9,383	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - YOUTH EXPLORERS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES			
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, Beginning of Year		<u>2,853</u>	
FUND BALANCE, End of Year		<u>\$ 2,853</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - KENNEL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ -	239	\$ 239
TOTAL REVENUES	<u>-</u>	<u>239</u>	<u>239</u>
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	5,000	2,025	2,975
Capital Outlay	7,500	7,500	-
TOTAL EXPENDITURES	<u>12,500</u>	<u>9,525</u>	<u>2,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,500)</u>	<u>(9,286)</u>	<u>3,214</u>
Fund Balance Appropriated	<u>12,500</u>		<u>(12,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(9,286)</u>	<u>\$ (9,286)</u>
FUND BALANCE, Beginning of Year		<u>14,121</u>	
FUND BALANCE, End of Year		<u>\$ 4,835</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - FIRE DEPARTMENT COMMUNITY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous	\$ 1,500	7,728	\$ 6,228
TOTAL REVENUES	1,500	7,728	6,228
EXPENDITURES			
Current:			
Fire Department:			
Operating Expenditures	5,750	3,254	2,496
TOTAL EXPENDITURES	5,750	3,254	2,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,250)	4,474	8,724
Fund Balance Appropriated	4,250		(4,250)
NET CHANGE IN FUND BALANCE	\$ -	4,474	\$ 4,474
FUND BALANCE, Beginning of Year		8,204	
FUND BALANCE, End of Year		\$ 12,678	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - DRUG FORFEITURE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Restricted Intergovernmental	\$ -	39,372	\$ 39,372
TOTAL REVENUES	<u>-</u>	<u>39,372</u>	<u>39,372</u>
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	45,000	6,400	38,600
TOTAL EXPENDITURES	<u>45,000</u>	<u>6,400</u>	<u>38,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(45,000)</u>	<u>32,972</u>	<u>77,972</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(13,678)	(13,678)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(13,678)</u>	<u>(13,678)</u>
Fund Balance Appropriated	45,000		(45,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>19,294</u>	<u>\$ 19,294</u>
FUND BALANCE, Beginning of Year		68,446	
FUND BALANCE, End of Year		<u>\$ 87,740</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - DRUG FORFEITURE FEDERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Grant Revenue - DOJ	\$ -	15,870	\$ 15,870
Restricted Intergovernmental	-	16,807	16,807
TOTAL REVENUES	-	32,677	32,677
EXPENDITURES			
Current:			
Police Department:			
Operating Expenditures	3,475	-	3,475
TOTAL EXPENDITURES	3,475	-	3,475
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,475)	32,677	36,152
OTHER FINANCING SOURCES (USES)			
Transfers In	-	13,678	13,678
Transfers Out	(1,525)	(1,525)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,525)	12,153	13,678
Fund Balance Appropriated	5,000		(5,000)
NET CHANGE IN FUND BALANCE	\$ -	44,830	\$ 44,830
FUND BALANCE, Beginning of Year		-	
FUND BALANCE, End of Year		\$ 44,830	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GOVERNOR'S CRIME COMMISSION GRANT PILL 16-17 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - DPS	\$ 23,175	20,685	1,975	22,660	\$ (515)
TOTAL REVENUES	23,175	20,685	1,975	22,660	(515)
EXPENDITURES					
Current:					
Police Department					
Operating Expenditures	15,375	12,885	1,975	14,860	515
Capital Outlay	7,800	7,800	-	7,800	-
TOTAL EXPENDITURES	23,175	20,685	1,975	22,660	515
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GOVERNOR'S CRIME COMMISSION GRANT PILL 17-18 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Grant Revenue - DPS	\$ 3,050	-	2,975	2,975	\$ (75)
TOTAL REVENUES	3,050	-	2,975	2,975	(75)
EXPENDITURES					
Current:					
Police Department Operating Expenditures	6,100	-	5,950	5,950	150
TOTAL EXPENDITURES	6,100	-	5,950	5,950	150
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,050)	-	(2,975)	(2,975)	(2,975)
OTHER FINANCING SOURCES (USES)					
Transfers In	3,050	-	2,975	2,975	2,975
TOTAL OTHER FINANCING SOURCES (USES)	3,050	-	2,975	2,975	2,975
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GOVERNOR'S CRIME COMMISSION GRANT CID-ICAC FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - DPS	\$ 38,955	27,301	9,807	37,108	\$ (1,847)
TOTAL REVENUES	38,955	27,301	9,807	37,108	(1,847)
EXPENDITURES					
Current:					
Police Department Operating Expenditures	38,955	27,301	9,807	37,108	1,847
TOTAL EXPENDITURES	38,955	27,301	9,807	37,108	1,847
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - BIKEPED GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 35,000	33,747	1,253	35,000	\$ -
Miscellaneous	10,000	10,000	-	10,000	-
TOTAL REVENUES	45,000	43,747	1,253	45,000	-
EXPENDITURES					
Current:					
Cultural and Recreational Operating Expenditures	50,000	48,210	1,790	50,000	-
TOTAL EXPENDITURES	50,000	48,210	1,790	50,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	(4,463)	(537)	(5,000)	-
OTHER FINANCING SOURCES (USES)					
Transfers In	5,000	5,000	-	5,000	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	5,000	-	5,000	-
NET CHANGE IN FUND BALANCE	\$ -	537	(537)	-	\$ -
FUND BALANCE, Beginning of Year			537		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GOVERNOR'S HIGHWAY SAFETY PROGRAM - BIKE SAFE PROGRAM GRANT 16-17 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 5,000	435	2,172	2,607	\$ (2,393)
TOTAL REVENUES	5,000	435	2,172	2,607	(2,393)
EXPENDITURES					
Current:					
Police Department Operating Expenditures	5,000	435	2,172	2,607	2,393
TOTAL EXPENDITURES	5,000	435	2,172	2,607	2,393
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GOVERNOR'S HIGHWAY SAFETY PROGRAM - BIKE SAFE PROGRAM GRANT 17-18 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 5,000	-	352	352	\$ (4,648)
TOTAL REVENUES	5,000	-	352	352	(4,648)
EXPENDITURES					
Current:					
Police Department Operating Expenditures	5,000	-	352	352	4,648
TOTAL EXPENDITURES	5,000	-	352	352	4,648
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - GREY HOSIERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Reimbursement Revenue	\$ 40,000	-	-	-	\$ (40,000)
TOTAL REVENUES	40,000	-	-	-	(40,000)
EXPENDITURES					
Current:					
Economic and Physical Development Operating Expenditures	700,000	-	96,236	96,236	603,764
TOTAL EXPENDITURES	700,000	-	96,236	96,236	603,764
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(660,000)	-	(96,236)	(96,236)	(96,236)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	600,000	-	-	-	-
Transfers In	60,000	-	60,000	60,000	60,000
TOTAL OTHER FINANCING SOURCES (USES)	660,000	-	60,000	60,000	60,000
NET CHANGE IN FUND BALANCE	\$ -	-	(36,236)	(36,236)	\$ (36,236)
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ (36,236)		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - WALK OF FAME FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Miscellaneous	\$ 5,898	11,049	5,628	16,677	\$ 10,779
TOTAL REVENUES	5,898	11,049	5,628	16,677	10,779
EXPENDITURES					
Current:					
Cultural and Recreational					
Professional Services	-	1,100	-	1,100	(1,100)
Operating Expenditures	5,898	5,262	3,285	8,547	(2,649)
TOTAL EXPENDITURES	5,898	6,362	3,285	9,647	(3,749)
NET CHANGE IN FUND BALANCE	\$ -	4,687	2,343	7,030	\$ 7,030
FUND BALANCE, Beginning of Year			4,687		
FUND BALANCE, End of Year			\$ 7,030		

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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - SIDEWALK CONSTRUCTION PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 180,000	430,000	-	430,000	\$ 250,000
Local Contributions	52,260	52,260	-	52,260	-
Investment Earnings	32,510	38,477	8,770	47,247	14,737
TOTAL REVENUES	264,770	520,737	8,770	529,507	264,737
EXPENDITURES					
Capital Outlay	3,023,587	1,690,479	193,572	1,884,051	1,139,536
TOTAL EXPENDITURES	3,023,587	1,690,479	193,572	1,884,051	1,139,536
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,758,817)	(1,169,742)	(184,802)	(1,354,544)	1,404,273
OTHER FINANCING SOURCES (USES)					
General Obligation Bonds Issued	2,100,000	2,100,000	-	2,100,000	-
Transfers In	875,539	1,589	625,539	627,128	(248,411)
Transfers Out	(216,722)	(218,310)	-	(218,310)	(1,588)
TOTAL OTHER FINANCING SOURCES (USES)	2,758,817	1,883,279	625,539	2,508,818	(249,999)
NET CHANGE IN FUND BALANCE	\$ -	713,537	440,737	1,154,274	\$ 1,154,274
FUND BALANCE, Beginning of Year			713,537		
FUND BALANCE, End of Year			\$ 1,154,274		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - MUD CREEK DUMP PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDENR	\$ 467,379	83,914	86,028	169,942	\$ (297,437)
TOTAL REVENUES	467,379	83,914	86,028	169,942	(297,437)
EXPENDITURES					
Current:					
Environmental Protection					
Professional Services	463,379	169,669	240,541	410,210	53,169
Contingencies	4,000	-	-	-	4,000
TOTAL EXPENDITURES	467,379	169,669	240,541	410,210	57,169
NET CHANGE IN FUND BALANCE	\$ -	(85,755)	(154,513)	(240,268)	\$ (240,268)
FUND BALANCE, Beginning of Year			(85,755)		
FUND BALANCE, End of Year			\$ (240,268)		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - OLD TRACEY GROVE ROAD PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 832,000	110,598	31,501	142,099	\$ (689,901)
TOTAL REVENUES	832,000	110,598	31,501	142,099	(689,901)
EXPENDITURES					
Capital Outlay	1,040,000	138,247	65,646	203,893	836,107
TOTAL EXPENDITURES	1,040,000	138,247	65,646	203,893	836,107
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(208,000)	(27,649)	(34,145)	(61,794)	146,206
OTHER FINANCING SOURCES (USES)					
Transfers In	208,000	191,389	16,611	208,000	-
TOTAL OTHER FINANCING SOURCES (USES)	208,000	191,389	16,611	208,000	-
NET CHANGE IN FUND BALANCE	\$ -	163,740	(17,534)	146,206	\$ 146,206
FUND BALANCE, Beginning of Year			163,740		
FUND BALANCE, End of Year			\$ 146,206		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - POLICE DEPARTMENT HEADQUARTERS PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	4,000,000	-	351,771	351,771	3,648,229
TOTAL EXPENDITURES	<u>4,000,000</u>	<u>-</u>	<u>351,771</u>	<u>351,771</u>	<u>3,648,229</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,000,000)</u>	<u>-</u>	<u>(351,771)</u>	<u>(351,771)</u>	<u>3,648,229</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	4,000,000	-	-	-	(4,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>(351,771)</u>	<u>(351,771)</u>	<u>\$ (351,771)</u>
FUND BALANCE, Beginning of Year			<u>-</u>		
FUND BALANCE, End of Year			<u>\$ (351,771)</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - MAINTENANCE FACILITY PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	2,000,000	-	108,574	108,574	1,891,426
TOTAL EXPENDITURES	<u>2,000,000</u>	<u>-</u>	<u>108,574</u>	<u>108,574</u>	<u>1,891,426</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000,000)</u>	<u>-</u>	<u>(108,574)</u>	<u>(108,574)</u>	<u>1,891,426</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	2,000,000	-	-	-	(2,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>(108,574)</u>	<u>(108,574)</u>	<u>\$ (108,574)</u>
FUND BALANCE, Beginning of Year			<u>-</u>		
FUND BALANCE, End of Year			<u>\$ (108,574)</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - MAIN STREET PUBLIC RESTROOM PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Local Contributions	\$ 325,000	-	325,000	325,000	\$ -
TOTAL REVENUES	325,000	-	325,000	325,000	-
EXPENDITURES					
Capital Outlay	800,000	-	-	-	800,000
TOTAL EXPENDITURES	800,000	-	-	-	800,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(475,000)	-	325,000	325,000	800,000
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	375,000	-	-	-	(375,000)
Transfers In	100,000	-	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	475,000	-	100,000	100,000	(375,000)
NET CHANGE IN FUND BALANCE	\$ -	-	425,000	425,000	\$ 425,000
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ 425,000		

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources used for the payment of long-term debt principal, interest, and related costs.



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES			
Debt Service:			
Principal	836,997	836,995	2
Interest	233,220	231,874	1,346
Bond Issuance Costs	30,602	29,550	1,052
TOTAL EXPENDITURES	<u>1,100,819</u>	<u>1,098,419</u>	<u>2,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,100,819)</u>	<u>(1,098,419)</u>	<u>2,400</u>
OTHER FINANCING SOURCES (USES)			
General Obligation Refunding Bond Issued	1,352,000	1,352,000	-
Payment to Refunded Debt Escrow Agent	(1,321,397)	(1,321,397)	-
Transfers In	565,000	562,702	(2,298)
TOTAL OTHER FINANCING SOURCES (USES)	<u>595,603</u>	<u>593,305</u>	<u>(2,298)</u>
Fund Balance Appropriated	<u>505,216</u>		<u>(505,216)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(505,114)</u>	<u>\$ (505,114)</u>
FUND BALANCE, Beginning of Year		<u>505,114</u>	
FUND BALANCE, End of Year		<u>\$ -</u>	



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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Charges for Services			
Water Sales	\$ 9,538,961	9,559,296	\$ 20,335
Sewer Charges	4,818,912	4,875,226	56,314
Water and Sewer Taps	282,000	443,315	161,315
Miscellaneous Revenue	292,500	370,980	78,480
Total Operating Revenues	14,932,373	15,248,817	316,444
Nonoperating Revenues:			
Interest Earned on Investments	190,000	102,657	(87,343)
Other Non-Operating Revenue	33,400	111,662	78,262
Total Nonoperating Revenues	223,400	214,319	(9,081)
TOTAL REVENUES	15,155,773	15,463,136	307,363
EXPENDITURES			
Information Technology:			
Contracted Services	178,405	183,572	(5,167)
Supplies	7,600	7,084	516
Capital Outlay	48,275	35,000	13,275
Other Departmental Expense	325,291	302,357	22,934
Total	559,571	528,013	31,558
Fleet Maintenance:			
Salaries and Employee Benefits	119,671	119,046	625
Total	119,671	119,046	625
Administration:			
Salaries and Employee Benefits	889,808	885,974	3,834
Contracted Services	273,634	251,924	21,710
Supplies	13,797	9,147	4,650
Repairs and Maintenance	4,339	424	3,915
Capital Outlay	1,397	26	1,371
Health and Wellness Allocation	149,950	149,950	-
Other Departmental Expense	312,737	255,733	57,004
Total	1,645,662	1,553,178	92,484
Finance:			
Salaries and Employee Benefits	873,545	709,860	163,685
Contracted Services	150,496	80,898	69,598
Supplies	17,120	10,037	7,083
Repairs and Maintenance	1,600	1,599	1
Capital Outlay	46,578	17,438	29,140
Other Departmental Expense	286,548	193,387	93,161
Total	\$ 1,375,887	1,013,219	\$ 362,668

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE
Engineering:			
Salaries and Employee Benefits	\$ 370,289	364,879	\$ 5,410
Repairs and Maintenance	1,101	598	503
Other Departmental Expense	33,748	33,239	509
Total	<u>405,138</u>	<u>398,716</u>	<u>6,422</u>
Facilities Maintenance:			
Salaries and Employee Benefits	508,114	515,559	(7,445)
Contracted Services	130,000	87,743	42,257
Issues from Inventory	75,300	68,492	6,808
Utilities	256,200	241,645	14,555
Supplies	65,771	38,146	27,625
Repairs and Maintenance	121,123	51,301	69,822
Capital Outlay	278,125	236,369	41,756
Other Departmental Expense	70,017	57,278	12,739
Total	<u>1,504,650</u>	<u>1,296,533</u>	<u>208,117</u>
Water Treatment Plant:			
Salaries and Employee Benefits	714,487	676,733	37,754
Contracted Services	63,764	60,130	3,634
Utilities	326,060	285,666	40,394
Chemicals	404,236	394,365	9,871
Supplies	62,475	64,054	(1,579)
Repairs and Maintenance	103,450	105,680	(2,230)
Capital Outlay	122,775	122,147	628
Other Departmental Expense	241,746	237,400	4,346
Total	<u>2,038,993</u>	<u>1,946,175</u>	<u>92,818</u>
Operations Support:			
Salaries and Employee Benefits	668,410	681,693	(13,283)
Contracted Services	5,870	-	5,870
Supplies	46,434	45,242	1,192
Repairs and Maintenance	12,274	11,044	1,230
Capital Outlay	74,950	74,949	1
Other Departmental Expense	67,624	55,955	11,669
Total	<u>875,562</u>	<u>868,883</u>	<u>6,679</u>
Water Distribution:			
Salaries and Employee Benefits	729,388	707,361	22,027
Contracted Services	53,569	27,365	26,204
Issues from Inventory	238,729	252,790	(14,061)
Supplies	214,830	173,376	41,454
Repairs and Maintenance	134,096	179,580	(45,484)
Capital Outlay	441,775	396,214	45,561
Other Departmental Expense	118,496	99,786	18,710
Total	<u>\$ 1,930,883</u>	<u>1,836,472</u>	<u>\$ 94,411</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE
Water and Sewer Construction:			
Salaries and Employee Benefits	\$ 226,379	203,402	\$ 22,977
Contracted Services	31,600	190	31,410
Supplies	39,660	25,398	14,262
Repairs and Maintenance	130,344	25,437	104,907
Capital Outlay	313,091	312,929	162
Other Departmental Expense	37,728	16,282	21,446
Total	<u>778,802</u>	<u>583,638</u>	<u>195,164</u>
Wastewater Treatment Plant:			
Salaries and Employee Benefits	614,017	589,872	24,145
Contracted Services	27,760	21,267	6,493
Sludge Management	260,365	226,798	33,567
Utilities	335,622	264,498	71,124
Supplies	33,150	32,124	1,026
Repairs and Maintenance	151,502	145,575	5,927
Capital Outlay	85,265	85,074	191
Other Departmental Expense	68,608	61,953	6,655
Total	<u>1,576,289</u>	<u>1,427,161</u>	<u>149,128</u>
Wastewater Collection:			
Salaries and Employee Benefits	569,314	575,335	(6,021)
Contracted Services	64,786	9,382	55,404
Issues from Inventory	30,000	11,359	18,641
Supplies	89,855	83,874	5,981
Repairs and Maintenance	170,858	154,490	16,368
Capital Outlay	225,355	215,367	9,988
Other Departmental Expense	132,264	99,070	33,194
Total	<u>1,282,432</u>	<u>1,148,877</u>	<u>133,555</u>
Debt Service:			
Principal Retirement	2,511,330	2,511,326	4
Interest and Other Charges	471,104	471,102	2
Total Debt Service	<u>2,982,434</u>	<u>2,982,428</u>	<u>6</u>
TOTAL EXPENDITURES	<u>17,075,974</u>	<u>15,702,339</u>	<u>1,373,635</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,920,201)</u>	<u>(239,203)</u>	<u>1,680,998</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,920,201)	(239,203)	1,680,998
OTHER FINANCING SOURCES (USES)			
Transfers In	430,802	460,602	29,800
Transfers Out	(4,935,722)	(4,935,722)	-
Insurance Proceeds	-	8,511	8,511
Sale of Capital Assets	1,500	18,445	16,945
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (4,503,420)</u>	<u>(4,448,164)</u>	<u>\$ 55,256</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2018

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Fund Balance Appropriated	\$ 6,423,621		\$ (6,423,621)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	(4,687,367)	<u>\$ (4,687,367)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Payment of Debt Principal		2,511,325	
Capital Outlay		1,275,583	
Capital Contributions		1,480,313	
Grant Revenue in Enterprise Capital Project Funds		253,925	
Loss on Sale of Capital Assets		(10,588)	
Change in Accrued Interest		20,970	
Depreciation		(3,008,936)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(49,517)	
Change in Other Postemployment Benefits		(8,100)	
Change in Compensated Absences		(48,556)	
Transfers In from Enterprise Fund Capital Project Funds		4,922,633	
Transfers Out to Enterprise Capital Project Funds		(1,073,052)	
CHANGE IN NET POSITION		<u><u>\$ 1,578,633</u></u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Charges for Services			
Base Charges (All Users)	\$ -	13	\$ 13
Residential	1,065,000	1,040,770	(24,230)
Commercial	140,000	151,992	11,992
Total Operating Revenues	1,205,000	1,192,775	(12,225)
Nonoperating Revenues:			
Recycling Revenue	8,000	9,344	1,344
Interest Earned on Investments	5,000	3,967	(1,033)
Miscellaneous Revenue	3,630	5,180	1,550
Total Nonoperating Revenues	16,630	18,491	1,861
TOTAL REVENUES	1,221,630	1,211,266	(10,364)
EXPENDITURES			
Waste Collection and Treatment			
Salaries and Employee Benefits	736,306	791,298	(54,992)
Landfill Tipping Fees	204,822	199,045	5,777
Repairs and Maintenance	69,843	69,667	176
Health and Wellness Allocation	13,925	13,925	-
Other Departmental Expenses	123,099	101,202	21,897
Contracted Services	94,270	54,082	40,188
Total	1,242,265	1,229,219	13,046
Debt Service:			
Principal Retirement	30,716	30,708	8
Interest and Other Charges	2,913	2,921	(8)
Total Debt Service	33,629	33,629	-
Capital Outlay	149,886	149,886	-
TOTAL EXPENDITURES	1,425,780	1,412,734	13,046
REVENUES OVER (UNDER) EXPENDITURES	(204,150)	(201,468)	2,682
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	-	1,000	1,000
TOTAL OTHER FINANCING SOURCES (USES)	-	1,000	1,000
Fund Balance Appropriated	\$ 204,150	-	\$ (204,150)

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2018

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>(200,468)</u>	<u>\$ (200,468)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(136,661)	
Payment of Debt Principal		30,714	
Capital Outlay		149,886	
Change in Accrued Interest		39	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(7,887)	
Change in Other Postemployment Benefits		(1,484)	
Change in Compensated Absences		(4,313)	
CHANGE IN NET POSITION		<u>\$ (170,174)</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - STORMWATER FUND

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

YEAR ENDED JUNE 30, 2018

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Stormwater Fees	\$ 226,200	241,568	\$ 15,368
Total Operating Revenues	<u>226,200</u>	<u>241,568</u>	<u>15,368</u>
Nonoperating Revenues:			
Interest Earned on Investments	-	19	19
Total Nonoperating Revenues	<u>-</u>	<u>19</u>	<u>19</u>
TOTAL REVENUES	<u>226,200</u>	<u>241,587</u>	<u>15,387</u>
EXPENDITURES			
Stormwater			
Salaries and Employee Benefits	153,850	158,307	(4,457)
Other Departmental Expenses	24,691	15,907	8,784
Total	<u>178,541</u>	<u>174,214</u>	<u>4,327</u>
Capital Outlay	83,687	79,208	4,479
TOTAL EXPENDITURES	<u>262,228</u>	<u>253,422</u>	<u>8,806</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(36,028)</u>	<u>(11,835)</u>	<u>24,193</u>
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	52,943	52,943	-
Transfers In	32,600	32,600	-
Transfers Out	(149,515)	(149,515)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(63,972)</u>	<u>(63,972)</u>	<u>-</u>
Fund Balance Appropriated	100,000	-	(100,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u><u>\$ -</u></u>	<u><u>(75,807)</u></u>	<u><u>\$ (75,807)</u></u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(1,584)	
Capital Outlay		79,208	
Capital Contributions		86,292	
Change in Compensated Absences		(1,851)	
Transfers In from Enterprise Fund Capital Project Funds		207,499	
CHANGE IN NET POSITION		<u><u>\$ 293,757</u></u>	

Enterprise Capital Project Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - BRITTON CREEK WATERSHED PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - EPA	\$ 121,528	50,979	41,741	92,720	\$ (28,808)
TOTAL REVENUES	121,528	50,979	41,741	92,720	(28,808)
EXPENDITURES					
Capital Outlay	121,528	50,979	41,741	92,720	28,808
TOTAL EXPENDITURES	121,528	50,979	41,741	92,720	28,808
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	-	-	-	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - ACADEMY ROAD WATERLINE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - CDBG	\$ 1,040,500	1,040,500	-	1,040,500	\$ -
TOTAL REVENUES	1,040,500	1,040,500	-	1,040,500	-
EXPENDITURES					
Current:					
Professional Services	154,551	164,550	-	164,550	(9,999)
Engineering Services	87,400	87,400	-	87,400	-
Capital Outlay	773,635	763,636	-	763,636	9,999
Contingencies	24,914	-	-	-	24,914
TOTAL EXPENDITURES	1,040,500	1,015,586	-	1,015,586	24,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	24,914	-	24,914	24,914
OTHER FINANCING SOURCES (USES)					
Transfers In	-	36,338	-	36,338	36,338
Transfers Out	-	(36,338)	-	(36,338)	(36,338)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	24,914	-	24,914	\$ 24,914

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - WATER TREATMENT PLANT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	2,574,000	221,143	230,201	451,344	2,122,656
TOTAL EXPENDITURES	<u>2,574,000</u>	<u>221,143</u>	<u>230,201</u>	<u>451,344</u>	<u>2,122,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,574,000)</u>	<u>(221,143)</u>	<u>(230,201)</u>	<u>(451,344)</u>	<u>2,122,656</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	2,574,000	2,164,000	410,000	2,574,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,574,000</u>	<u>2,164,000</u>	<u>410,000</u>	<u>2,574,000</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>1,942,857</u>	<u>179,799</u>	<u>2,122,656</u>	<u>\$ 2,122,656</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - ETOWAH WATER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	3,452,200	645,680	328,742	974,422	2,477,778
Contingencies	367,000	-	-	-	367,000
TOTAL EXPENDITURES	<u>3,819,200</u>	<u>645,680</u>	<u>328,742</u>	<u>974,422</u>	<u>2,844,778</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,819,200)</u>	<u>(645,680)</u>	<u>(328,742)</u>	<u>(974,422)</u>	<u>2,844,778</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	3,819,200	3,819,200	-	3,819,200	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,819,200</u>	<u>3,819,200</u>	<u>-</u>	<u>3,819,200</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>3,173,520</u>	<u>(328,742)</u>	<u>2,844,778</u>	<u>\$ 2,844,778</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - FLETCHER NS WATER SYSTEM IMPROVEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	718,180	133,630	151,380	285,010	433,170
TOTAL EXPENDITURES	<u>718,180</u>	<u>133,630</u>	<u>151,380</u>	<u>285,010</u>	<u>433,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(718,180)</u>	<u>(133,630)</u>	<u>(151,380)</u>	<u>(285,010)</u>	<u>433,170</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	718,180	468,180	250,000	718,180	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>718,180</u>	<u>468,180</u>	<u>250,000</u>	<u>718,180</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>334,550</u>	<u>98,620</u>	<u>433,170</u>	<u>\$ 433,170</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - SCADA SYSTEM UPGRADE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	\$ -	-	-	-	\$ -
EXPENDITURES					
Capital Outlay	546,248	460,735	55,713	516,448	29,800
TOTAL EXPENDITURES	546,248	460,735	55,713	516,448	29,800
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(546,248)	(460,735)	(55,713)	(516,448)	29,800
OTHER FINANCING SOURCES (USES)					
Transfers In	1,586,000	1,586,000	-	1,586,000	-
Transfers Out	(1,039,752)	-	(1,069,552)	(1,069,552)	(29,800)
TOTAL OTHER FINANCING SOURCES (USES)	546,248	1,586,000	(1,069,552)	516,448	(29,800)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	1,125,265	(1,125,265)	-	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - GRAVITY FILTER REPLACEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	2,610,000	17,950	50,473	68,423	2,541,577
TOTAL EXPENDITURES	<u>2,610,000</u>	<u>17,950</u>	<u>50,473</u>	<u>68,423</u>	<u>2,541,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,610,000)</u>	<u>(17,950)</u>	<u>(50,473)</u>	<u>(68,423)</u>	<u>2,541,577</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	2,610,000	525,000	2,085,000	2,610,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,610,000</u>	<u>525,000</u>	<u>2,085,000</u>	<u>2,610,000</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>507,050</u>	<u>2,034,527</u>	<u>2,541,577</u>	<u>\$ 2,541,577</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - GLENBROOK GRAVITY SEWER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	599,614	596,067	-	596,067	3,547
TOTAL EXPENDITURES	<u>599,614</u>	<u>596,067</u>	<u>-</u>	<u>596,067</u>	<u>3,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(599,614)</u>	<u>(596,067)</u>	<u>-</u>	<u>(596,067)</u>	<u>3,547</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	599,614	597,649	-	597,649	(1,965)
TOTAL OTHER FINANCING SOURCES (USES)	<u>599,614</u>	<u>597,649</u>	<u>-</u>	<u>597,649</u>	<u>(1,965)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>1,582</u>	<u>-</u>	<u>1,582</u>	<u>\$ 1,582</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - RUTLEDGE RD WATER SYSTEM IMPROVEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	476,000	5,634	-	5,634	470,366
TOTAL EXPENDITURES	<u>476,000</u>	<u>5,634</u>	<u>-</u>	<u>5,634</u>	<u>470,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(476,000)</u>	<u>(5,634)</u>	<u>-</u>	<u>(5,634)</u>	<u>470,366</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	476,000	476,000	-	476,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>476,000</u>	<u>476,000</u>	<u>-</u>	<u>476,000</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>470,366</u>	<u>-</u>	<u>470,366</u>	<u>\$ 470,366</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - WASTEWATER AIA PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDEQ	\$ 150,000	106,104	43,896	150,000	\$ -
TOTAL REVENUES	150,000	106,104	43,896	150,000	-
EXPENDITURES					
Current:					
Salaries and Employee Benefits	-	14,361	3,461	17,822	(17,822)
Capital Outlay	686,850	118,899	216,469	335,368	351,482
TOTAL EXPENDITURES	686,850	133,260	219,930	353,190	333,660
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(536,850)	(27,156)	(176,034)	(203,190)	333,660
OTHER FINANCING SOURCES (USES)					
Transfers In	536,850	164,850	372,000	536,850	-
TOTAL OTHER FINANCING SOURCES (USES)	536,850	164,850	372,000	536,850	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	137,694	195,966	333,660	\$ 333,660

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - WWTP SLUDGE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	\$ -	-	-	-	\$ -
EXPENDITURES					
Capital Outlay	4,109,000	48,235	54,765	103,000	4,006,000
TOTAL EXPENDITURES	4,109,000	48,235	54,765	103,000	4,006,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,109,000)	(48,235)	(54,765)	(103,000)	4,006,000
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	4,109,000	-	-	-	(4,109,000)
TOTAL OTHER FINANCING SOURCES (USES)	4,109,000	-	-	-	(4,109,000)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	(48,235)	(54,765)	(103,000)	\$ (103,000)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - WWTP GENERATOR / ATS PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	1,830,000	15,041	85,175	100,216	1,729,784
TOTAL EXPENDITURES	<u>1,830,000</u>	<u>15,041</u>	<u>85,175</u>	<u>100,216</u>	<u>1,729,784</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,830,000)</u>	<u>(15,041)</u>	<u>(85,175)</u>	<u>(100,216)</u>	<u>1,729,784</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,830,000	281,367	1,548,633	1,830,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,830,000</u>	<u>281,367</u>	<u>1,548,633</u>	<u>1,830,000</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>266,326</u>	<u>1,463,458</u>	<u>1,729,784</u>	<u>\$ 1,729,784</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - STREAMBANK RESTORATION PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	2,982,484	47,255	203,761	251,016	2,731,468
TOTAL EXPENDITURES	<u>2,982,484</u>	<u>47,255</u>	<u>203,761</u>	<u>251,016</u>	<u>2,731,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,982,484)</u>	<u>(47,255)</u>	<u>(203,761)</u>	<u>(251,016)</u>	<u>2,731,468</u>
OTHER FINANCING SOURCES (USES)					
Issuance of State Revolving Loan Fund	2,982,484	-	-	-	(2,982,484)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,982,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,982,484)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>(47,255)</u>	<u>(203,761)</u>	<u>(251,016)</u>	<u>\$ (251,016)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - FRENCH BROAD RIVER INTAKE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	5,925,000	3,500	438,973	442,473	5,482,527
TOTAL EXPENDITURES	<u>5,925,000</u>	<u>3,500</u>	<u>438,973</u>	<u>442,473</u>	<u>5,482,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,925,000)</u>	<u>(3,500)</u>	<u>(438,973)</u>	<u>(442,473)</u>	<u>5,482,527</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	5,925,000	-	-	-	(5,925,000)
Transfers In	184,867	184,867	-	184,867	-
Transfers Out	(184,867)	(181,367)	(3,500)	(184,867)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,925,000</u>	<u>3,500</u>	<u>(3,500)</u>	<u>-</u>	<u>(5,925,000)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>-</u>	<u>(442,473)</u>	<u>(442,473)</u>	<u>\$ (442,473)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - ELKAMET/DEMMELE GRANT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOC	\$ 156,353	-	156,352	156,352	\$ (1)
Local Contributions	11,936	-	11,936	11,936	-
TOTAL REVENUES	168,289	-	168,288	168,288	(1)
EXPENDITURES					
Capital Outlay	168,289	-	168,288	168,288	1
TOTAL EXPENDITURES	168,289	-	168,288	168,288	1
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	-	-	-	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - HIGHWAY 280 WATER SYSTEM IMPROVEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	257,000	-	230,865	230,865	26,135
TOTAL EXPENDITURES	<u>257,000</u>	<u>-</u>	<u>230,865</u>	<u>230,865</u>	<u>26,135</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(257,000)</u>	<u>-</u>	<u>(230,865)</u>	<u>(230,865)</u>	<u>26,135</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	257,000	-	257,000	257,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>257,000</u>	<u>-</u>	<u>257,000</u>	<u>257,000</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>-</u>	<u>26,135</u>	<u>26,135</u>	<u>\$ 26,135</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 STORMWATER CAPITAL PROJECTS FUND - BUNCOMBE STREET STORMWATER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	207,499	-	148,108	148,108	59,391
TOTAL EXPENDITURES	<u>207,499</u>	<u>-</u>	<u>148,108</u>	<u>148,108</u>	<u>59,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(207,499)</u>	<u>-</u>	<u>(148,108)</u>	<u>(148,108)</u>	<u>59,391</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	207,499	-	207,499	207,499	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>207,499</u>	<u>-</u>	<u>207,499</u>	<u>207,499</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>-</u>	<u>59,391</u>	<u>59,391</u>	<u>\$ 59,391</u>

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 good or services for the purpose of fully recovering that cost through fees or charges.

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - INTERNAL SERVICE FUND
HEALTH AND WELFARE FUND

SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL
(NON-GAAP)

YEAR ENDED JUNE 30, 2018

	<u>FINANCIAL PLAN</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
Operating Revenues:			
Charges for Services	\$ 23,140	342,215	\$ 319,075
Grant Revenue	10,750	10,750	-
Miscellaneous	11,003	11,917	914
Total Operating Revenues	<u>44,893</u>	<u>364,882</u>	<u>319,989</u>
TOTAL REVENUES	<u>44,893</u>	<u>364,882</u>	<u>319,989</u>
EXPENDITURES			
Employee Benefits	412,108	346,910	65,198
TOTAL EXPENDITURES	<u>412,108</u>	<u>346,910</u>	<u>65,198</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(367,215)</u>	<u>17,972</u>	<u>385,187</u>
Transfers In	342,215	-	(342,215)
Fund Balance Appropriated	<u>25,000</u>		<u>25,000</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>17,972</u>	<u>\$ 410,187</u>
NET POSITION, Beginning of Year		<u>-</u>	
NET POSITION, End of Year		<u>\$ 17,972</u>	

Agency Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND -
FINES AND FORFEITURES FUND**

YEAR ENDED JUNE 30, 2018

	<u>BALANCE AT JUNE 30, 2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2018</u>
ASSETS				
Cash and Cash Equivalents	\$ -	16,788	16,788	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>16,788</u>	<u>16,788</u>	<u>\$ -</u>
LIABILITIES				
Amounts Held for Custody for Others	\$ -	16,788	16,788	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>16,788</u>	<u>16,788</u>	<u>\$ -</u>

Property Taxes

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2018

Fiscal year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	8,261,321	8,118,696	\$ 142,625
2016-2017	146,624	-	84,901	61,723
2015-2016	81,055	-	31,253	49,802
2014-2015	52,358	-	25,634	26,724
2013-2014	24,486	-	2,656	21,830
2012-2013	9,504	-	1,438	8,066
2011-2012	11,618	-	1,373	10,245
2010-2011	10,420	-	498	9,922
2009-2010	9,804	-	240	9,564
2008-2009	16,577	-	1,469	15,108
2007-2008	19,167	-	123	19,044
2006-2007	12,764	-	67	12,697
2005-2006	9,040	-	114	8,926
	\$ 403,417	8,261,321	8,268,462	396,276
				Less allowance for uncollectible ad valorem taxes receivable 145,211
				Ad valorem taxes receivable, net \$ 251,065
Reconcilement with revenues:				
				Ad valorem taxes - General Fund \$ 8,306,638
				Penalties collected on ad valorem taxes - Agency Fund 17,027
Reconciling items:				
				Interest collected (55,203)
				Discounts allowed -
				Total collections and credits \$ 8,268,462

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE - GENERAL FUND

YEAR ENDED JUNE 30, 2018

Original Levy:	CITY-WIDE			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 1,761,084,868	0.47	\$ 8,277,099	7,646,636	\$ 630,463
Penalties	-		17,257	17,257	-
Total	1,761,084,868		8,294,356	7,663,893	630,463
Discoveries:					
Current year taxes	978,013	0.47	4,265	4,265	
Penalties	-		1,674	1,674	
			5,939	5,939	
Releases:					
Current year taxes	(6,716,452)	0.47	(38,974)	(38,974)	
Penalties			(2,400)	(2,400)	
			(41,374)	(41,374)	
Total property valuation	<u>\$ 1,755,346,429</u>				
Net levy			8,258,921	7,628,458	630,463
Uncollected taxes at June 30, 2018			142,625	142,625	1,867
Current year's taxes collected			<u>\$ 8,116,296</u>	<u>7,485,833</u>	<u>\$ 628,596</u>
Current levy collection percentage			<u>98.27%</u>	<u>98.13%</u>	<u>99.70%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2018

Fiscal year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	241,390	235,275	\$ 6,115
2016-2017	5,500	-	1,310	4,190
2015-2016	3,909	-	1,804	2,105
2014-2015	3,785	-	3,247	538
2013-2014	2,425	-	1,192	1,233
2012-2013	1,206	-	977	229
2011-2012	744	-	593	151
2010-2011	48	-	43	5
2009-2010	1,042	-	-	1,042
2008-2009	488	-	-	488
2007-2008	951	-	-	951
2006-2007	734	-	-	734
2005-2006	246	-	-	246
	\$ 21,078	241,390	244,441	18,027
				Less allowance for uncollectible ad valorem taxes receivable 4,696
				Ad valorem taxes receivable, net \$ 13,331
Reconcilement with revenues:				
				Ad valorem taxes - Main Street Tax District Fund
				Penalties collected on ad valorem taxes - Agency Fund \$ 247,346
				646
				Reconciling items:
				Interest collected (3,551)
				Discounts allowed -
				Total collections and credits \$ 244,441

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2018

Original Levy:	MAIN STREET TAX DISTRICT			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 87,352,128	0.28	\$ 244,586	242,342	\$ 2,244
Penalties	-		704	704	-
Total	87,352,128		245,290	243,046	2,244
Discoveries:					
Current year taxes	-	0.28	-	-	
Penalties	-		-	-	
Releases:					
Current year	(1,381,429)	0.28	(3,868)	(3,868)	
Penalties	-		(32)	(32)	
Total property valuation	\$ 85,970,699		(3,900)	(3,900)	
Net levy			241,390	239,146	2,244
Uncollected taxes at June 30, 2018			6,115	6,115	-
Current year's taxes collected			\$ 235,275	233,031	\$ 2,244
Current levy collection percentage			97.47%	97.44%	100.00%

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2018

Fiscal year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2017-2018	\$ -	19,508	19,079	\$ 429
2016-2017	708	-	576	132
2015-2016	172	-	151	21
2014-2015	50	-	-	50
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	9	-	-	9
2008-2009	146	-	-	146
2007-2008	109	-	-	109
2006-2007	44	-	-	44
2005-2006	10	-	-	10
	\$ 1,248	19,508	19,806	950
				66
				Ad valorem taxes receivable, net
				\$ 884
Reconcilement with revenues:				
				Ad valorem taxes - Seventh Avenue Tax District Fund
				Penalties collected on ad valorem taxes - Agency Fund
				\$ 19,872
				64
Reconciling items:				
				Interest collected
				(130)
				Discounts allowed
				-
				Total collections and credits
				\$ 19,806

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2018

Original Levy:	SEVENTH AVENUE TAX DISTRICT			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 16,279,134	0.12	\$ 19,535	17,765	\$ 1,770
Penalties	-		66	66	-
Total	16,279,134		19,601	17,831	1,770
Discoveries:					
Current year taxes	-	0.12	-	-	
Penalties	-		-	-	
Releases:					
Current year	(77,500)	0.12	(93)	(93)	
Penalties	-		-	-	
Total property valuation	\$ 16,201,634		(93)	(93)	
Net levy			19,508	17,738	1,770
Uncollected taxes at June 30, 2018			429	429	-
Current year's taxes collected			\$ 19,079	17,309	\$ 1,770
Current levy collection percentage			97.80%	97.58%	100.00%





**STATISTICAL
SECTION**



STATISTICAL SECTION

TABLE OF CONTENTS

This part of the City of Hendersonville’s (“City”) 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.

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Revenue Capacity Information <i>These schedules contain information to help the reader assess the City’s most significant local revenue source.</i>	183
Debt Capacity Information <i>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.</i>	187
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	191
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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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 13,737,365	16,738,488	16,829,139	17,530,422	17,077,486	17,860,656	16,304,268	18,615,092	19,614,200	\$ 19,926,250
Restricted	277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469
Unrestricted	11,249,729	8,059,282	5,212,143	4,376,180	1,970,572	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633
Total Governmental Activities Net Position	\$ 25,264,303	24,969,668	25,088,847	24,864,375	24,910,553	24,505,775	24,037,536	26,948,761	26,631,012	\$ 25,862,352
Business-Type Activities										
Net Investment in Capital Assets	\$ 43,280,673	48,628,499	50,127,849	51,057,598	51,168,791	54,082,358	52,399,169	50,835,364	51,388,724	\$ 56,252,393
Unrestricted	22,481,842	20,179,419	21,453,888	23,526,746	25,322,705	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513
Total Business-Type Activities Net Position	\$ 65,762,515	68,807,918	71,581,737	74,584,344	76,491,496	78,534,867	78,429,785	76,606,414	74,120,467	\$ 74,983,906
Primary Government										
Net Investment in Capital Assets	\$ 57,018,038	65,366,987	66,956,988	68,588,020	68,246,277	71,943,014	68,703,437	69,450,456	71,002,924	\$ 76,178,643
Restricted	277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469
Unrestricted	33,731,571	28,238,701	26,666,031	27,902,926	27,293,277	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146
Total Primary Government Net Position	\$ 91,026,818	93,777,586	96,670,584	99,448,719	101,402,049	103,040,642	102,467,321	103,555,175	100,751,479	\$ 100,846,258

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 2,043,475	2,181,689	2,152,324	2,301,254	2,359,071	2,374,428	2,813,625	2,583,313	3,157,971	\$ 3,054,736
Public Safety	6,046,707	6,230,577	6,256,423	6,910,168	6,281,514	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808
Transportation	1,928,695	1,869,352	2,155,725	2,116,715	2,046,441	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903
Environmental Protection	799,405	223,094	642,849	589,902	596,425	626,450	484,528	21,508	139,054	240,541
Economic and Physical Development	342,472	453,538	262,751	405,416	311,086	455,811	428,450	520,035	564,691	721,195
Cultural and Recreation	197,333	588,305	200,772	237,833	200,928	215,403	537,955	968,892	1,010,569	960,189
Interest on Long-Term Obligations	232,634	229,642	215,749	197,996	231,074	346,513	318,140	295,850	263,137	274,831
Total Governmental Activities	11,590,721	11,776,197	11,886,593	12,759,284	12,026,539	12,998,475	14,080,308	14,252,039	15,361,729	16,254,203
Business-Type Activities:										
Water and Sewer Fund	11,243,016	10,278,199	10,784,165	11,291,143	12,326,878	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569
Environmental Services Fund	1,016,654	1,011,039	1,014,552	1,064,379	993,094	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440
Storm Water	-	-	-	-	-	-	-	-	-	177,649
Total Business-Type Activities	12,259,670	11,289,238	11,798,717	12,355,522	13,319,972	14,160,097	17,225,873	18,670,373	19,823,469	16,569,658
Total Expenses	\$ 23,850,391	23,065,435	23,685,310	25,114,806	25,346,511	27,158,572	31,306,181	32,922,412	35,185,198	\$ 32,823,861
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	-	-	-	-	-	39,153	85,995	38,379	\$ 25,639
Public Safety	154,633	153,171	163,982	156,625	219,158	217,156	76,401	217,039	295,562	468,933
Transportation	72,426	69,058	73,432	83,540	75,042	98,555	-	-	-	-
Parks and Drainage	17,850	15,000	11,850	23,500	5,500	16,000	-	-	-	-
Cultural and Recreational	145,221	154,555	164,349	162,593	162,593	168,084	323,572	412,311	429,214	363,692
Operating Grants and Contributions	511,908	627,018	823,010	925,970	646,346	433,681	680,540	722,754	807,606	703,076
Capital Grants and Contributions	214,998	400,000	75,000	390,000	-	60,079	53,783	1,073,002	565,917	561,531
Total Governmental Activities	1,117,036	1,418,802	1,311,623	1,740,372	1,108,639	993,555	1,173,449	2,511,101	2,136,678	2,122,871
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	12,040,335	12,892,729	13,386,511	14,031,234	13,708,469	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817
Environmental Services Fund	671,189	695,814	837,913	868,123	928,295	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775
Storm Water Fund	-	-	-	-	-	-	-	-	-	241,568
Capital Grants and Contributions	292,577	216,558	285,014	122,019	-	580,014	1,177,512	46,537	679,969	1,820,530
Total Business-Type Activities	13,004,101	13,805,101	14,509,438	15,021,376	14,636,764	15,782,247	17,036,217	16,736,659	17,176,798	18,503,690
Total Program Revenues	\$ 14,121,137	15,223,903	15,821,061	16,761,748	15,745,403	16,775,802	18,209,666	19,247,760	19,313,476	\$ 20,626,561

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (10,473,685)	(10,357,395)	(10,574,970)	(11,018,912)	(10,917,900)	(12,004,920)	(12,906,859)	(11,740,938)	(13,225,051)	\$ (14,131,332)
Business-Type Activities	744,431	2,515,863	2,710,721	2,665,854	1,316,792	1,622,150	(189,656)	(1,933,714)	(2,646,671)	1,934,032
Total Net Expense	\$ (9,729,254)	(7,841,532)	(7,864,249)	(8,353,058)	(9,601,108)	(10,382,770)	(13,096,515)	(13,674,652)	(15,871,722)	\$ (12,197,300)
General Revenues										
Governmental Activities:										
Property Taxes	\$ 6,674,560	6,909,539	6,937,950	7,020,873	7,043,951	7,289,030	7,745,067	8,084,440	8,302,439	\$ 8,563,585
Sales & Use Tax	2,258,827	2,101,938	2,134,526	2,257,061	2,404,610	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984
Other Taxes	88,077	158,441	88,077	546,179	531,600	402,294	402,398	13,528	12,200	11,544
Franchise Taxes	1,321,124	1,283,006	1,703,333	1,277,026	1,298,877	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448
Restricted Intergovernmental Revenue	744,405	1,113,434	975,848	1,393,807	746,012	379,744	-	-	-	-
Permits and Fees	18,252	21,047	25,573	21,893	49,630	71,455	177,883	261,890	245,055	239,548
Sales and Services	237,772	241,313	251,706	269,352	245,360	-	-	-	-	-
Investment Earnings	259,049	43,068	24,430	15,046	11,245	16,374	53,142	117,250	45,477	60,808
Miscellaneous	290,705	156,538	211,301	135,760	122,713	68,735	234,357	335,338	293,332	337,144
Transfers	-	-	-	-	-	(228,720)	-	138,947	26,474	534,955
Total Governmental Activities	11,892,771	12,028,924	12,352,744	12,936,997	12,453,998	11,600,142	12,675,434	13,426,826	13,391,824	14,222,016
Business-Type activities:										
Investment Earnings	451,425	31,163	22,068	18,426	15,033	34,318	157,767	277,173	85,509	106,643
Miscellaneous	29,639	9,884	12,455	17,332	9,625	158,183	91,806	64,501	101,689	196,496
Transfers	100,880	100,880	100,880	100,880	100,880	228,720	-	(138,947)	(26,474)	(534,955)
Total Business-Type Activities	581,944	141,927	135,403	136,638	125,538	421,221	249,573	202,727	160,724	(231,816)
Total Primary Government	\$ 12,474,715	12,170,851	12,488,147	13,073,635	12,579,536	12,021,363	12,925,007	13,629,553	13,552,548	\$ 13,990,200
Change in Net Position:										
Governmental Activities	\$ 1,419,086	1,671,529	1,777,774	1,918,085	1,536,098	(404,778)	(231,425)	1,685,888	166,773	\$ 90,684
Business-Type Activities	1,326,375	2,657,790	2,846,124	2,802,492	1,442,330	2,043,371	59,917	(1,730,987)	(2,485,947)	1,702,216
Total Change in Net Position	\$ 2,745,461	4,329,319	4,623,898	4,720,577	2,978,428	1,638,593	(171,508)	(45,099)	(2,319,174)	\$ 1,792,900

CITY OF HENDERSONVILLE, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ -	-	-	-	-	-	8,805	63,057	474,265	\$ 461,013
Restricted for Stabilization by State Statute	737,031	756,414	922,385	1,288,518	805,835	925,946	1,058,260	1,790,318	1,830,006	2,513,576
Restricted for Public Safety	70,951	78,158	106,326	114,910	97,471	131,935	115,235	-	-	-
Restricted for Streets	277,209	171,898	221,653	262,335	289,674	-	-	-	-	-
Restricted for Economic Development	-	-	-	-	-	7,906	19,577	-	-	-
Assigned - Subsequent Year's Expenditures	1,009,920	929,690	929,710	881,240	1,318,210	1,122,300	701,672	436,981	1,017,696	612,000
Unassigned	7,812,850	7,169,323	7,022,022	5,822,117	6,410,105	6,207,146	6,200,178	5,091,043	4,326,041	3,956,453
Total General Fund	\$ 9,907,961	9,105,483	9,202,096	8,369,120	8,921,295	8,395,233	8,103,727	7,381,399	7,648,008	\$ 7,543,042
All Non-Major Funds										
Nonspendable	\$ -	-	-	-	-	-	-	491	12,680	\$ 1,000
Restricted for Stabilization by State Statute	-	-	1,000	253,900	11,254	69,407	25,550	387,151	112,353	144,619
Restricted for General Government	-	-	-	-	-	-	-	1,428	3,689	424,000
Restricted for Economic Development	230,703	83,380	57,964	66,650	42,765	55,106	73,782	135,136	173,511	58,154
Restricted for Public Safety	-	-	-	-	3,191,465	189,615	52,786	110,261	43,673	94,610
Restricted for Cultural and Recreation	-	-	3,005	-	-	-	-	-	4,687	3,030
Restricted for Transportation	2,022,107	1,766,967	1,735,232	971,460	1,339,191	958,013	956,917	1,132,835	877,277	1,300,480
Committed - Organic Garden	-	-	-	-	-	-	-	-	3,230	3,230
Assigned - Subsequent Year's Expenditures	-	-	57,900	57,000	84,840	46,000	7,531	548,148	439,020	89,307
Assigned - Debt Service	-	-	-	-	-	-	-	508,419	146,344	-
Unassigned	-	-	(95,431)	(278,172)	-	-	-	(373,383)	(205,128)	(827,181)
Total All Non-Major Funds	\$ 2,252,810	1,850,347	1,759,670	1,070,838	4,669,515	1,318,141	1,116,566	2,450,486	1,611,336	\$ 1,291,249
Total All Governmental Funds	\$ 12,160,771	10,955,830	10,961,766	9,439,958	13,590,810	9,713,374	9,220,293	9,831,885	9,259,344	\$ 8,834,291

Note: Schedule has been updated for implementation of GASB #54 in FY 2011.

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Tax	\$ 6,674,560	6,909,539	6,937,950	7,020,873	7,043,951	7,319,539	7,666,438	8,096,500	8,232,001	\$ 8,573,856
Other Taxes	88,077	158,441	487,152	546,179	531,600	402,294	402,398	13,528	12,200	11,544
Unrestricted Intergovernmental	3,579,951	3,384,944	3,438,784	3,534,087	3,703,487	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053
Restricted Intergovernmental	744,405	1,113,434	975,848	1,393,807	746,012	595,052	609,063	1,757,512	1,303,087	949,686
Permits and Fees	18,252	21,647	25,573	21,893	49,630	48,088	49,602	103,712	143,613	257,704
Sales and Services	237,772	241,313	251,706	269,352	245,360	414,073	480,028	566,479	518,672	430,673
Investment Earnings	259,049	43,068	24,430	15,046	11,966	16,335	53,094	117,250	45,476	60,808
Miscellaneous	290,705	156,538	211,301	135,760	141,763	272,522	188,331	272,567	301,644	548,588
Total Revenues	\$ 11,892,771	12,028,924	12,352,744	12,936,997	12,473,769	12,830,040	13,707,246	15,712,532	15,376,848	\$ 15,656,912
Expenditures										
Current:										
General Government	\$ 1,946,835	2,103,217	2,052,333	2,153,295	2,374,576	2,228,056	3,184,950	2,441,963	2,843,232	\$ 2,793,058
Public Safety	5,919,723	6,472,416	6,018,523	6,322,638	6,999,222	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468
Transportation	1,830,773	2,001,261	2,233,485	3,752,372	2,994,120	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504
Environmental Protection	649,406	527,228	557,500	495,238	463,889	547,571	9,107	21,508	139,054	240,541
Economic & Physical Development	390,748	453,538	262,751	405,416	310,160	453,223	431,801	510,737	542,179	699,373
Cultural and Recreation	903,431	588,305	200,772	237,833	200,928	215,403	715,098	803,433	818,336	737,169
Capital Outlay ^	-	-	-	-	-	-	-	1,993,434	2,257,810	1,368,877
Debt Service:										
Principal	323,333	373,333	373,333	423,333	423,333	723,333	723,333	830,273	832,133	836,995
Interest and Fees	207,856	232,928	219,650	200,890	185,869	352,972	324,613	300,938	270,328	231,874
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	29,550
Total Expenditures	12,172,105	12,752,226	11,918,347	13,991,015	13,952,097	16,478,756	14,517,990	15,695,806	16,683,690	16,699,409
Excess of Revenues Over (Under) Expenditures	\$ (279,334)	(723,302)	434,397	(1,054,018)	(1,478,328)	(3,648,716)	(810,744)	16,726	(1,306,842)	\$ (1,042,497)

^ See Capital Asset Expenditures on Next Page for prior years.

(Continued)

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

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses):										
Proceeds of Debt - GO Bonds	\$ 2,100,000	-	-	-	-	-	-	-	-	\$ 1,352,000
Proceeds of Debt - Notes Payable	-	-	-	-	6,000,000	-	242,500	78,533	655,000	-
Installment Purchase	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	-	-	-	(1,321,397)
Sale of Capital Assets	-	-	-	-	-	-	18,090	2,125	8,972	1,700
Insurance Recovery	-	-	-	-	-	-	57,073	96,383	43,855	50,186
Operating Transfers From (To) Other Funds:										
Enterprise Fund:										
Environmental Services Fund	(292,058)	(387,600)	(249,790)	(285,270)	(269,940)	(127,840)	-	-	-	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	-	138,947	26,474	625,539
Storm Water fund	-	-	-	(81,640)	-	-	-	-	-	-
Health & Welfare Fund	-	-	-	303,840	293,970	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	552,760	870,899	313,360	(1,100,266)	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	(45,084)	-	(245,472)	-	-	-	-	-	-	-
Capital Projects Fund - Wash Creek Project	(114,297)	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Skate Park Project	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	-	(27,600)	-	-	-	-	-	-
Greenways Phase II Grant Fund	-	-	-	-	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	75,000	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-
Main Street Tax District	-	(27,350)	-	-	-	-	(100,000)	-	-	-
Main Street Tax District - Main Street Project	(110,677)	-	(66,412)	-	(45,000)	189,046	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(64,500)	(52,800)	(24,690)	(23,390)	(38,080)	(37,470)	-	-	-	-
Rails-to-Trails Project Grant Fund	-	-	-	(16,785)	-	-	-	-	-	-
Britton Creek Stormwater Master Plan Project	-	-	(5,556)	-	-	-	-	-	-	-
Fund Balance Appropriated	(293,201)	(918,099)	-	-	-	-	-	-	-	-
	<u>\$ 1,707,063</u>	<u>(488,480)</u>	<u>(306,790)</u>	<u>(1,204,391)</u>	<u>5,912,470</u>	<u>22,856</u>	<u>317,663</u>	<u>315,988</u>	<u>734,301</u>	<u>617,444</u>
Net Change in Fund Balances	\$ 1,427,729	(1,211,782)	127,607	(2,258,409)	4,434,142	(3,625,860)	(493,081)	332,714	(572,541)	\$ (425,053)
Capital Asset Expenditures	\$ 1,563,982	2,021,203	847,347	2,348,420	2,815,434	4,064,359	1,333,272	2,031,608	2,298,582	\$ 1,363,198
Debt Service as a Percentage of Noncapital Expenditures *	3.0%	3.5%	3.4%	3.6%	3.8%	5.8%	5.5%	6.1%	5.8%	5.7%

* - Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net position 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		Fiscal Year Ended June 30	Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property	Motor Vehicles	Other						
2009	\$ 771,675,117	754,677,553	84,719,211	\$ 123,978,975	2009	\$ 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	2010	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	2011	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	2012	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	2013	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%
2014	867,439,562	601,013,269	133,799,024	111,836,701	2014	13,190,519	1,700,898,037	0.81	1,700,916,367	100.0%
2015	860,792,797	622,571,755	121,051,969	130,347,339	2015	10,594,200	1,724,169,660	0.84	1,733,530,726	99.5%
2016	869,531,034	628,891,720	127,865,067	126,562,294	2016	13,449,401	1,739,400,714	0.86	1,844,539,463	94.3%
2017	869,827,543	629,106,171	136,782,391	117,221,370	2017	13,914,601	1,739,022,874	0.86	2,003,482,574	86.8%
2018	\$ 881,579,895	637,606,103	134,141,102	\$ 115,895,380	2018	\$ 13,876,051	\$ 1,755,346,429	0.87	\$ 2,017,639,574	87.0%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2016. Tax rates are per \$100 of assessed value.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Rates:										
General Fund Rate	0.380	0.380	0.380	0.410	0.410	0.410	0.440	0.460	0.460	0.470
Main Street Tax District	0.250	0.250	0.250	0.280	0.280	0.280	0.280	0.280	0.280	0.280
Seventh Avenue District	0.080	0.080	0.080	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Total Direct Rate	0.710	0.710	0.710	0.810	0.810	0.810	0.840	0.860	0.860	0.870
County Rates:										
Henderson County	0.462	0.462	0.462	0.5136	0.5136	0.5136	0.5136	0.5136	0.5650	0.5650
Town of Fletcher	0.270	0.270	0.320	0.3250	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400
Town of Laurel Park	0.270	0.270	0.310	0.3600	0.3600	0.0360	0.3900	0.4300	0.4300	0.4300
Town of Saluda	0.605	0.515	0.515	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050
Town of Mills River	0.075	0.075	0.075	0.0874	0.0974	0.0974	0.0974	0.1124	0.1800	0.1800
Village of Flat Rock	0.075	0.075	0.075	0.0840	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100
Fire (14) District Rates:										
From Lowest	0.060	0.060	0.060	0.0650	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800
To Highest	0.115	0.115	0.115	0.1250	0.1250	0.1250	0.1250	0.1300	0.1300	0.1300
Special Purpose District Rates:										
Main Street Tax District	0.250	0.250	0.250	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.080	0.080	0.080	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200

Source: Henderson County Tax Assessors Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	2018 Fiscal Year			2009 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc	\$ 30,088,966	1	1.71%	\$ 24,729,349	1	1.43%
Triangle Ballantyne Hendersonville, Inc.	25,185,900	2	1.43%	-		
Wal-Mart Real Estate Business Trust	17,541,300	3	1.00%	22,289,991	2	1.29%
Highland Investors, LTD	16,107,900	4	0.92%	15,695,290	4	0.91%
Boyd L. Hyder	15,440,900	5	0.88%	17,925,800	3	1.04%
Duke Energy	13,692,644	6	0.78%	-		
Triangle Real Estate of Gastonia, Inc	11,114,800	7	0.63%	11,383,100	10	0.66%
Home Depot	11,101,267	8	0.63%	11,972,965	7	0.69%
Morris Broadband LLC	10,560,866	9	0.60%	-		
First Citizens Bank	8,143,600	10	0.46%	13,121,575	6	0.76%
Henderson Crossing Shopping Center	-			11,432,500	9	0.66%
Lowes Home Centers, Inc	-			13,467,083	5	0.78%
Blue Ridge Mall LLC	-			11,901,971	8	0.69%
Totals	\$ 158,978,143		9.04%	\$ 153,919,624		8.91%

Source: City of Hendersonville Tax Collector

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		Fiscal Year Ended June 30	Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy			Amount	Percentage of Levy
2009	\$ 6,071,297	488,524	6,559,821	\$ 6,335,116	96.57%	2009	\$ 208,126	\$ 6,543,242	99.75%
2010	6,181,286	415,320	6,596,718	6,405,344	97.10%	2010	181,571	6,586,915	99.85%
2011	6,252,523	428,397	6,680,920	6,471,376	96.86%	2011	199,124	6,670,500	99.84%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%	2012	178,124	6,704,771	99.83%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%	2013	130,034	6,683,579	99.86%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%	2014	66,774	6,395,960	99.62%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%	2015	95,380	6,883,714	99.25%
2016	7,890,120	106,715	7,996,835	7,837,894	98.01%	2016	77,886	7,915,780	98.99%
2017	7,997,213	11,895	8,009,108	7,862,484	98.17%	2017	-	7,862,484	98.17%
2018	\$ 8,294,356	(35,435)	8,258,921	\$ 8,118,696	98.30%	2018	-	\$ 8,118,696	98.30%

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
2009	\$ 2,910,000	-	2,216,667	520,000	-	18,154,326	\$ 23,800,993	619.5%	\$ 1,831
2010	2,770,000	-	1,983,334	255,000	-	16,505,815	21,514,149	571.2%	1,638
2011	2,630,000	-	1,750,000	-	-	14,822,447	19,202,447	486.6%	1,456
2012	2,440,000	-	1,516,667	-	-	25,289,495	29,246,162	713.6%	2,203
2013	2,250,000	-	7,283,333	-	-	23,503,653	33,036,986	781.1%	2,485
2014	2,060,000	-	6,750,000	-	-	20,902,442	29,712,442	773.3%	2,205
2015	1,870,000	-	6,459,167	-	-	27,283,746	35,612,913	883.4%	2,079
2016	1,680,000	-	5,897,427	-	-	24,262,654	31,840,081	752.5%	2,303
2017	1,490,000	-	5,910,294	-	-	21,057,370	28,457,664	638.9%	2,023
2018	\$ 1,343,000	-	5,272,299	-	-	18,515,329	\$ 25,130,628	*	\$ 1,771

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

* Information not available.

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

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2009	\$ 2,910,000	-	\$ 2,910,000	0.17%	\$ 224
2010	2,770,000	-	2,770,000	0.16%	211
2011	2,630,000	-	2,630,000	0.15%	200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	1,490,000	-	1,490,000	0.07%	106
2018	\$ 1,343,000	-	\$ 1,343,000	0.06%	\$ 95

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Henderson County	\$ 107,917,826	10.39%	\$ 11,212,662
Subtotal, Overlapping Debt			<u>11,212,662</u>
City of Hendersonville Direct			<u>6,615,299</u>
Total Direct and Overlapping Debt			<u><u>\$ 17,827,961</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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 137,930,016	139,016,410	140,452,168	130,930,200	130,499,448	136,071,843	135,907,787	138,980,953	139,121,830	\$ 140,427,714
Total Net Debt Applicable to Debt Limit	23,293,992	21,412,148	19,012,447	29,246,161	33,036,986	29,712,442	35,612,913	31,840,081	28,457,664	25,130,628
Legal Debt Margin	\$ 114,636,024	117,604,262	121,439,721	101,684,039	97,462,462	106,359,401	100,294,874	107,140,872	110,664,166	\$ 115,297,086
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	16.9%	15.4%	13.5%	22.3%	25.3%	21.8%	26.2%	22.9%	20.5%	17.9%

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,755,346,429
Debt Limit (8% of Total Assessed Value)	140,427,714
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	23,787,628
Total Bonded Debt	1,343,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	25,130,628
Legal Debt Margin	\$ 115,297,086

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	City Population	County Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rate		
						County	State	U.S.
2009	12,997	105,813	3,841,838	36,308	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,766,289	35,215	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,921,941	36,461	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	4,098,466	37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,404	3,842,493	35,122	13,491	4.9%	6.5%	5.9%
2015	13,663	110,939	4,031,132	36,336	13,495	4.6%	5.0%	5.7%
2016	13,824	112,655	4,231,103	37,558	13,690	4.3%	4.9%	4.9%
2017	14,064	114,209	4,454,428	39,002	13,241	3.6%	4.2%	4.4%
2018	14,189	115,708	*	*	13,212	3.6%	4.2%	4.0%

Data Sources:

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

* Information not yet available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2018 Fiscal Year			2009 Fiscal Year		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,883	1	3.57%	1,683	1	13.47%
Pardee Hospital	1,500	2	2.84%	1,360	2	10.88%
Ingles	1,297	3	2.46%	653	9	5.22%
Park Ridge Hospital	1,152	4	2.18%	766	3	6.13%
Henderson County Government	803	5	1.52%	650	10	5.20%
Meritor	715	6	1.35%	700	6	5.60%
Continental Automotive Systems	710	7	1.35%	-		
Wilsonart International	622	8	1.18%	740	4	5.92%
Sierra Nevada Brewing Company	436	9	0.83%	-		
General Electric Lighting	370	10	0.70%	725	5	5.80%
Steelcase, Incorporated	-			680	7	5.56%
Wal-Mart	-			675	8	5.40%
Totals	9,488		17.98%	8,632		69.18%

Source: NC Department of Commerce

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

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
General Government:										
Administration	3	3	3	3	3	3	5	5	5	5
Finance	12	12	12	12	12	12	13	12	14	18
Support Services	11	11	11	12	14	14	15	13	14	15
Public Safety:										
Police	50	50	50	50	50	51	51	53	53	56
Fire	20	20	20	27	27	27	27	27	29	33
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	9	9	9	9	9	9	7	7	7	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8	8	8	8	8	8
Subtotal	31	31	31	31	31	31	29	29	30	32
Business-Type Activities										
Water and Sewer Fund	63	63	63	64	65	65	65	68	72	73
Storm Water	10	10	10	12	14	14	14	15	15	14
Total	200	200	200	211	216	217	219	222	232	246

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

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued:										
Residential	106	103	95	125	305	307	119	130	101	221
Commercial	76	226	252	147	112	90	87	110	110	105
Public Safety - Police										
Physical Arrests	2,175	2,120	1,667	1,539	1,646	1,544	1,602	2,723	1,195	909
Traffic Violations	3,815	2,997	2,720	2,482	2,631	2,664	2,250	2,017	2,040	2,133
Parking Violations	2,317	1,865	1,980	1,806	2,762	2,317	2,216	3,029	2,462	1,790
Public Safety - Fire										
Number of Fire Calls Answered	1,871	1,842	1,779	2,111	3,270	3,401	4,121	4,352	4,761	4,638
Inspections Conducted	1,066	1,997	883	502	478	370	583	955	1,679	4,318
Water										
Number of Service Connections	25,471	25,645	25,618	25,552	25,514	26,446	26,723	30,000	27,449	28,415
Average Daily Production in Gallons	6,915,665	7,476,633	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781
Sewer										
Number of Service Connections	8,118	8,173	8,146	8,274	8,503	8,751	9,035	9,500	9,067	9,411
Average Daily Treatment in Gallons	2,426,373	2,937,317	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999
Solid Waste										
Refuse Collected (Tons per Year)	4,152	3,885	3,550	3,325	3,293	3,353	3,519	3,438	3,325	4,031
Recycling Collections (Tons per Year)	1,083	2,195	1,040	645	744	848	928	1,033	1,106	1,231
Scrap Metal (Tons per Year)	-	17	13	1	3	3	6	12	23	12

Sources: Various City of Hendersonville Deaprtments

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION


LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Hendersonville										
Public Facilities/Buildings	3	3	3	4	5	5	5	5	1	1
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	38	38	38	38	38	39	39	30	30	30
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	2	2	2	2	2
Number of Fire Trucks	6	6	6	6	6	6	6	5	6	5
Public Service										
Streets (in Miles)	65.04	65.36	65.36	65.67	68.20	68.20	68.20	68.20	65.75	65.75
Street Lights (Leased)	1,428	1,433	1,428	1,428	1,479	1,501	1,515	1,515	1,520	1,520
Street Lights (Owned)	189	189	189	189	189	189	189	189	256	215
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	12	12	12	12	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)	578	581	640	620	634	637	640	653	623	624
Fire Hydrants	2,359	2,446	2,539	2,552	2,585	2,598	2,626	2,648	2,662	2,692
Sewer										
Sanitary Sewers (Miles)	165	167	175	176	177	178	178	180	160	182
Storm Sewers (Miles)	27	27	30	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	3	4	4	4	4	4

Sources: Various City of Hendersonville departments.





**COMPLIANCE
SECTION**



CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

Grantor/Pass-through Grantor/Program or Cluster Title:	Federal CFDA Number	State/Pass-Through Entity Identifying Number	Federal Expenditures	State Expenditures
FEDERAL AND STATE ASSISTANCE GRANTS				
US DEPARTMENT OF JUSTICE				
Direct Programs:				
Equitable Sharing Program	16.922		\$ 1,525	\$ -
Pass-Through Program - Governor's Crime Commission:				
Byrne Justice Assistance Grants - Hendersonville CID Prescription Pill/Opiate Diversion	16.738		1,975	-
TOTAL US DEPARTMENT OF JUSTICE			3,500	-
US ENVIRONMENTAL PROTECTION AGENCY				
Cash Programs				
Pass-Through Program - N.C. Department of Environmental Quality - Grants:				
EPS Section 319(b) Grant Nonpoint Source Implementation Grant	66.460		41,741	-
Non-Cash Programs				
Pass-through from NC Department of Environmental and Natural Resources:				
Capitalization Grants for Clean Water State Revolving Fund Loan - Streambank Restoration Project	66.458	E-SRF-T-17-0457	203,761	-
TOTAL US ENVIRONMENTAL PROTECTION AGENCY			245,502	-
US DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Governor's Highway Safety Program (Bikeped)	20.600		2,524	-
Pass-through from NC Department of Transportation:				
Highway Planning and Construction - Old Tracey Grove Road	20.205	BRSTP-1932(9)	65,646	-
Bikeped Planning Project	20.205	SPR-413(016)	1,432	358
Total	20.205		67,078	358
TOTAL US DEPARTMENT OF TRANSPORTATION			69,602	358
TOTAL ASSISTANCE			\$ 318,604	\$ 358
STATE ASSISTANCE ONLY				
NC DEPARTMENT OF TRANSPORTATION				
Powell Bill Program				
Non-State System Street-Aid Allocation		DOT-4	\$ -	\$ 385,769
Hendersonville Police CID-ICAC Project			-	9,807
Governor's Crime Commission 2017-2018			-	5,950
TOTAL NC DEPARTMENT OF TRANSPORTATION			-	401,526
NC DEPARTMENT OF COMMERCE				
Elkamet/Demmel		2018-101-3212-2587	-	168,288
Downtown Revitalization and Economic Development		2018-033-1257-1534	-	100,000
TOTAL NC DEPARTMENT OF COMMERCE			-	268,288
NC DEPARTMENT OF ENVIRONMENTAL QUALITY				
Wastewater Asset Inventory and Assessment			-	219,929
TOTAL ASSISTANCE			\$ -	\$ 889,743
TOTAL FEDERAL AND STATE ASSISTANCE				
TOTAL FEDERAL AND STATE ASSISTANCE			\$ 318,604	\$ 890,101

There were no expenditures to subrecipients for the year ended June 30, 2018.

See accompanying notes to the schedule of expenditures of federal and state awards.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the “Schedule”) presents the activity of all federal and state award programs of the City of Hendersonville, North Carolina (the “City”) for the year ended June 30, 2018. Expenditures for federal and state financial assistance awarded directly from the federal or state agencies, as well as those passed through other entities, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City’s financial statements.

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal and state award expenditures are reported in the City’s financial statements generally as expenditures in the City’s General Fund, special revenue funds, and enterprise funds.

D. MATCHING COSTS

Matching costs (i.e., the non-state share of certain program costs) are not included in the accompanying Schedule.

E. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2018. Our report includes a reference to another auditor who audited the financial statements of the City of Hendersonville Board of Alcoholic Control ("ABC Board"), as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor. The financial statements of the ABC Board 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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
December 17, 2018



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the City of Hendersonville's, North Carolina (the "City"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2018. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? _____ Yes X No

Identification of major State programs:

<i>State Identifying Number</i>	<i>Names of State Program or Cluster</i>
DOT-4	Powell Bill

Section II - Financial Statement Findings

No matters to report.

Section III - State Award Findings and Questioned Costs

No matters to report.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

None reported.

Section III – State Award Findings and Questioned Costs

None reported.