

# **CITY OF HENDERSONVILLE, NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**



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Prepared By: Finance Department  
Lisa White, CPA, CGFO  
Finance Director



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**INTRODUCTORY  
SECTION**



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

# CITY OF HENDERSONVILLE

*The City of Four Seasons*

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

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

October 20, 2017

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

North Carolina General Statute 159-34 states that “each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.” Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hendersonville for the fiscal year ended June 30, 2017.

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, 2017, 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, 2017, 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 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, 2017 permanent resident population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 14,064.

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: Barnes 4WD in Etowah will add 5 new jobs and retain 7 existing jobs, Elkament, Inc. in East Flat Rock has planned an investment of \$6 million with 25 jobs created and 99 jobs retained, Norafin (Americas) Inc. in Mills River is expected to add \$18.1 million and add 46 jobs, Normac, Inc. will have an anticipated investment of \$2.25 million with 25 new jobs, Ringfree Communications in Hendersonville is expected to create 10 new jobs and retain 10 existing jobs, Shadow Track 247 plans to add 12 jobs to Henderson County, SmartProjects in Mills River is expected to invest \$3.2 million and add 26 jobs, Survival Innovations also in Mills River is anticipating an investment of \$70 million and adding 24 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 50,000 persons including approximately 5,400 individuals working at 126 manufacturing businesses, payroll is in excess of \$278 million annually and an average annual wage of \$51,532. 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, 2017, a decrease from the 4.3% during the prior year, and as compared to the national rate of 4.4%.

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 18<sup>th</sup> 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 7<sup>th</sup> in the US in apple production, has 5,660 acres in apple production spread across over 117 farms and produces 85% 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 468 farms producing other crops and protein products. Henderson County is also a major grower of tomatoes and sweet corn (#2 and #3 in state rankings) and is third in NC in combined fruit, vegetable, and berry production. In addition to its prominence in food crops, Henderson County is the second highest producer in the state's "green industry" (greenhouse, ornamental plants and sod production) and is the eighth largest producer of dairy products. Agriculture constitutes about a fifth of the overall economic productivity, making Henderson County a major center for the agricultural industry here in Western North Carolina.

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

began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours, “pick your own” operations, wine tastings, and vineyard tours. This facet of agriculture is a natural 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 Statute 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. Total unassigned fund balance in the General Fund as of June 30, 2017 equaled 28 % of the total General Fund budgeted expenditures for the upcoming fiscal year.

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 in April of 2017 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 2017, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road. Additionally, the City continued several sidewalk improvements during fiscal year 2017 including on North Main Street, 5<sup>th</sup> Avenue, Four Seasons Boulevard (Hwy 64) and Blythe Street. Several improvements were made to City parks during fiscal year 2017. Improvements to the City's Boyd Park included lighting upgrades, tennis court resurfacing, and new landscaping and fences. The City has identified Berkeley Mills Park as a priority to upgrade and preserve as a historic park within the City. With a grant from the North Carolina Office of Archives and History and the assistance of volunteers from the Hendersonville Historic Preservation Commission, the ballfield at Berkeley Park was added to the National Register of Historic Places during fiscal year 2017.

During the fiscal year the City continued planning the Downtown Hotel Project. This project is part of the City's initiative to advance growth that will provide numerous amenities to citizens and visitors. During the prior fiscal year the City engaged Development Finance Initiative (DFI) at the UNC School of Government to conduct a market analysis, site analysis, and financial feasibility study as well as solicit public input. The resulting report identified a positive opportunity for a downtown boutique hotel with event space utilizing the City owned Historic Grey Hosiery Mill site. DFI coordinated bid solicitation from developers during fiscal year 2017. Near the end of the fiscal year the City entered into a Memorandum of Understanding with Belmont Sayre for a public private partnership. This redevelopment project is tentatively planned to preserve the original 1915 historic portion of the mill using tax credits. The boutique hotel is slated to have 57 rooms, 2,000 sq. feet of public event space as well as parking. 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.

Another project that continued from the prior year was the Mud Creek Dump project. During the prior fiscal year, the City began a project to conduct an environmental assessment of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The planning phase of this project continued during fiscal year 2017 and is expected to continue into the middle of fiscal year 2018. The City will be eligible for reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City Council has continued its support of affordable housing. During the fiscal year the City provided a special appropriation to Hendersonville Housing Association, a non-profit, to reimburse the costs of constructing water and sewer infrastructure for a low income housing project.

The City Main Street Program was recognized for the fourth year in a row with an "Award of Merit" for its volunteer program during the annual N.C. Main Street Awards Ceremony held in March 2017. The City's Main Street program was recognized in the area of "Best Volunteer Recruitment, Training and Recognition" program for the contributions made by the Friends of Downtown Hendersonville volunteer group. To facilitate the continued success of the thriving downtown, during fiscal year 2017 the City Council approved façade grant improvement programs for its two municipal tax districts, upgraded holiday lighting in the main street district and installed new signage and banners in the downtown area.

The City, in partnership with the Tourism Development Authority, Henderson County, and other municipalities county-wide began a way-finding initiative to assist in the navigation of places of interest and destinations within the County.

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

The City of Hendersonville provides high quality water and wastewater services to approximately 60,000 customers while protecting natural resources and ensuring capacity for sustainable growth.

The City formed the Technical Advisory Committee to serve as a staff level advisory group to provide input and feedback to Hendersonville Water and Sewer so that it can effectively carry out its mission and its focus on public health and safety and economic development. The Committee meets quarterly with participants from the City, Henderson County, Agriculture Henderson County, the Partnership for Economic Development (HCPED), and each of the five municipalities in the County. The Committee does not engage in system governance issues, but was formed to facilitate effective communication among all stakeholders and provide recommendations to the City in order to maintain and enhance system efficiency and customer service to all water customers, both inside and outside of the City.

The City added additional staff to develop a Leak Detection Program. During the past year this crew has reduced water losses from 34% down to 20%. The Inflow and Infiltration Reduction Program has eliminated approximately 500,000 gallons per day of potable water entering the sewer collection system over the past fiscal year.

During the fiscal year the City contracted with a professional consultant to complete a rate study to define the City's water and sewer rate policy, provide recommendations for competitive rates that will allow for continued reinvestment in the system, while providing for the narrowing of rate amount for all customers, inside and outside the City. The study is expected to be complete in the fall of 2017.

Information gathered during the creation of the water system hydraulic model was utilized to develop a Water System Master Plan. The master plan was developed utilizing NCDOT TAZ (Transportation Area Zones) and input from Henderson County staff, HCPED and other stakeholders. This master plan provides a blueprint for water system growth over the next twenty years. Additionally, the City received a Wastewater AIA grant in fiscal year 2017 to provide professional services to draft a sewer system inventory assessment. The wastewater project is underway and will produce a Wastewater System Master Plan in fiscal year 2018.

Several major construction projects were continued or completed during the fiscal year ended June 30, 2017 including the following:

During fiscal year 2017 the City began a project to replace the four high service pumps at the Water Treatment Plant. This project will result in treatment plant operation efficiencies, reducing power consumption and saving money.

The Rutledge Road Project will complete a system loop that will improve pressure and provide an additional feed to the Flat Rock area helping to reduce outages when the lines need to be shut down for repairs. This project will also eliminate a hydropneumatic pump station thereby reducing operation and maintenance costs.

The Glenbrook Sewer Project, which was completed during fiscal year 2017, consisted of several hundred feet of gravity sewer installed to eliminate an extremely old and outdated submersible pump station. The pump station was located within the Glenbrook development and situated near a home. The project resulted in reduced operation and maintenance needs within this area.

The 'Supervisory Control and Data Acquisition' or SCADA system upgrade project continued in 2017 and will take several additional years to complete the installation of an upgraded system which will allow the water department to monitor and control the water and sewer infrastructure.

The Eastside Transmission Main project was another large project that began in fiscal year 2016 and continued into fiscal year 2017. This project will consist of the installation of approximately seven miles of large water transmission main in order to provide a higher pressure gradient and improve water service and available fire flows in the region east of I-26.

The Etowah Water System Improvement project is in the design phase and nearing construction. The project includes extension of 12-inch water main from a new pump station to the new tank site atop Little Mountain where a 500,000 gallon storage tank will be constructed. The project will provide a higher pressure gradient and allow the removal of several hydropneumatic pump stations.

The staff began the planning and design phase of the Wastewater Treatment Plant Generator project which will provide a back-up power supply system and automatic transfer switch for the wastewater treatment facility.

The Gravity Filter project, which will replace a gravity sand filtration system at the wastewater treatment facility, was started in fiscal year 2017.

In July 2016 the City of Hendersonville and the Etowah Sewer Company, Inc. filed an application with the State of North Carolina Utilities Commission seeking authority to transfer Etowah's sewer utility service to the City. The application included a purchase agreement under which the City of Hendersonville agreed to purchase the Etowah sewer system for \$1,026,000. The system provides sewer utility service to approximately 375 residential and 42 commercial customers in the unincorporated community of Etowah in Henderson County. Notice to the affected customers was distributed and approved by the Commission. The sale was previously budgeted for and expected to occur mid-year during fiscal year 2017 however it is currently on hold.

### ***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. During fiscal year 2017 the City staff, in partnership with the Environmental Sustainability Board (ESB) initiated a Rain Barrel program to provide a cost effective opportunity to offer public education and outreach as well as generate public involvement. The purpose of a Rain Barrel Program is to generate public involvement in the stormwater program by providing rain barrels at a discounted price to the citizens of Hendersonville. Rain Barrels offer a number of benefits to the community and residents including reducing stormwater runoff pollution from residential lots, allowing residents to store and use rainwater for irrigation and gardening during times of drought, lowering water bills, and reducing the demand on municipal water treatment and supply. During the first year of the program over 300 Barrels were sold, equivalent to 15,000 gallons of rainwater being conserved. The City of Hendersonville's Stormwater staff and ESB plan to continue the rain barrel program as an annual event during Garden Jubilee.

City stormwater staff, in partnership with non-profit organizations Asheville GreenWorks and Mountain True have installed a trash collection device on Mud Creek in an effort to reduce floating trash in Mud Creek. This project will offer opportunities for public education and outreach as well as generate public involvement in water quality and stormwater management. The device, named the "Trash Trout" was designed and built by the Asheville GreenWorks organization. Its purpose is to sit in a flowing waterway and collect floatables as they move downstream with the current. This device aids in reducing the amount of trash in the waterways and improving overall water quality for the community. Asheville GreenWorks, The City of Hendersonville Stormwater Department, Mountain True and various community groups are partnering to maintain the device located at Balfour Bridge on Mud Creek which has collected over 700 pounds of trash in the first few months of operation.

The stormwater staff has also continued its public education and community outreach with a storm drain stenciling program to remind the public not to dump anything into City storm drains as they flow into local waterways. In addition, the City staff has initiated several green infrastructure projects and partnered with North Carolina State College of Agricultural and Life Sciences and Carolina Mountain Land Conservancy to facilitate a rain water harvesting system in a community garden operated by a Free Medical Clinic in the City. The City stormwater staff has organized and/or participated in numerous stream cleanup events, including the NC Big Sweep Event where 1,000 pounds of trash was removed from Mud Creek.

### **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, 2016. This was the twenty-seventh 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,

A handwritten signature in black ink that reads "Lisa A. White". The signature is written in a cursive, flowing style.

Lisa A. White, CPA, CGFO  
Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF**  
**YEAR ENDED JUNE 30, 2017**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Steve Caraker

Jeffery Lane Miller

Jerry A. Smith, Jr.

Ron Stephens

CITY STAFF

City Manager – John F. Connet

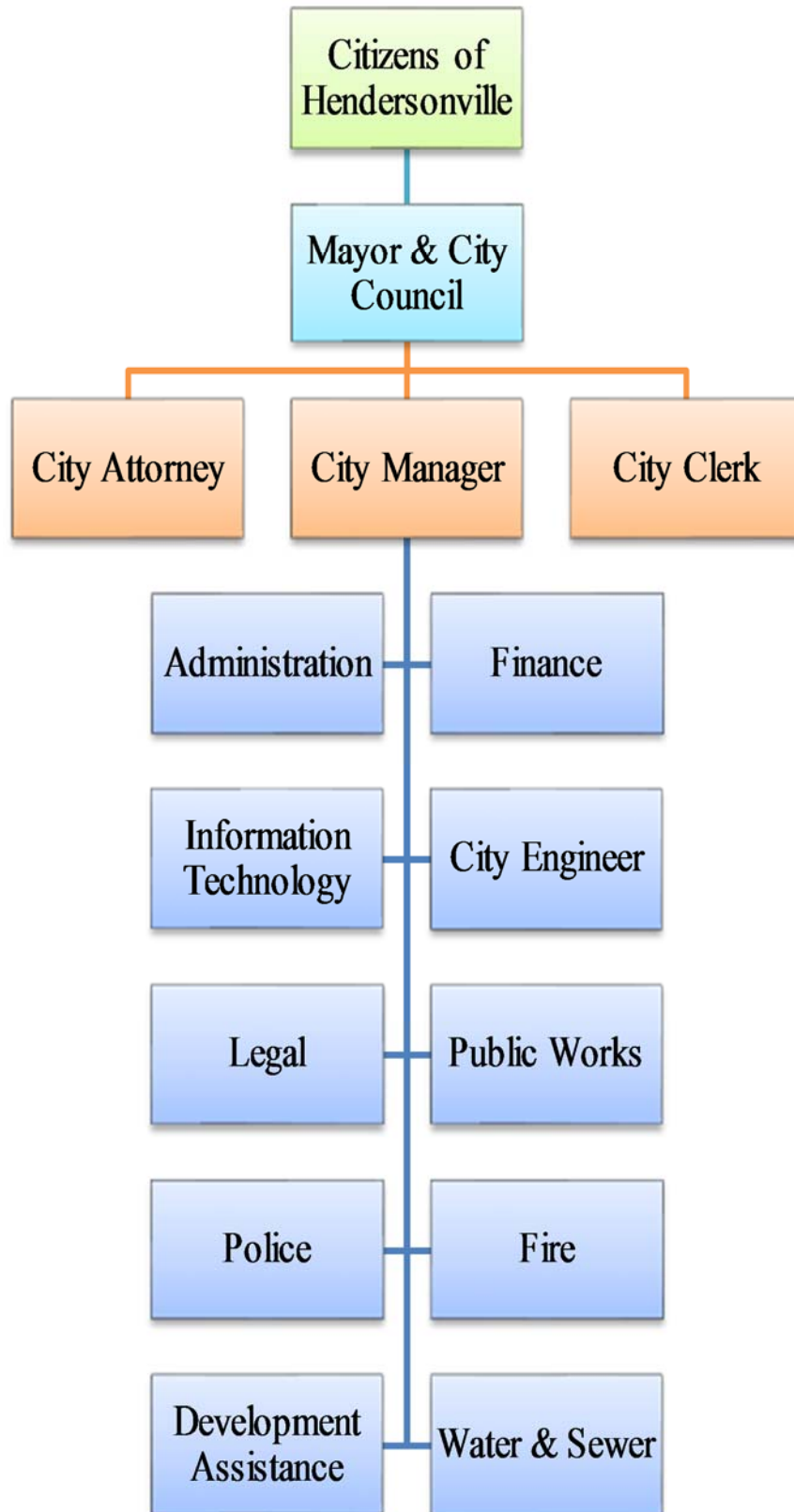
Assistant City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director – Lisa A. White, CPA

# 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, 2016**



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, 2017, 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 financial 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, 2017, 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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OPEN BY APPOINTMENT ONLY

### ***Change in Accounting Principle***

As discussed in Note I.B to the financial statements, in the year ended June 30, 2017 the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 73 “*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*”. Our opinion is not modified with respect to this matter.

### ***Pending Implementation of GASB Statement on Postemployment Benefits Other Than Pensions***

As discussed in Note IV.I, the GASB issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“GASB #75”) in 2015. GASB #75, which will be adopted by the City for the year ended June 30, 2018, will require the City to report a net other postemployment benefit (“OPEB”) liability on its applicable financial statements for its OPEB plan (“Plan”).

Based on recent information provided by the City’s actuary, it is anticipated that the City’s net OPEB liability associated with this Plan will decrease its governmental and business-type activities beginning net position for the year ended June 30, 2018 by approximately \$1,555,000. 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 OPEB plan schedules, and the pension plan schedules, 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, the supplementary information, the statistical section, and the schedule of expenditures of 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 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 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 October 20, 2017 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.

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP  
Mauldin, South Carolina  
October 20, 2017



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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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, 2017 (“2017” or “FY 2017”) compared to the year ended June 30, 2016 (“2016” or “FY 2016”). 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 fiscal year by approximately \$100,751,000 (total net position for the Primary Government).
- The City’s total net position decreased by approximately \$2,319,000 in large part due to a decrease in the net position of the Water and Sewer Fund of approximately \$2,487,000.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of approximately \$9,259,000, a decrease of approximately \$573,000 or 6% decrease from the beginning fund balance. The decrease is primarily due to increased expenditures and capital outlay during the fiscal year as compared to fiscal year 2016.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$4,121,000. The unassigned fund balance for the General Fund is approximately \$4,326,000, which is 28% of total General Fund expenditures for the upcoming fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

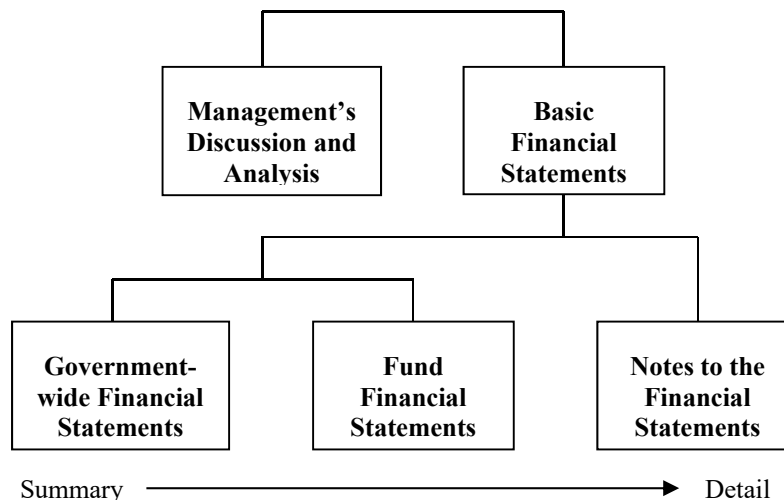
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, required supplementary information, and other supplementary information), the Statistical Section, and the Compliance Section.

**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, 2017

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

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

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

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

#### Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities 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, 2017

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Fund Financial Statements (Continued)**

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

**Proprietary Funds** – The City utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its water and sewer activity, its environmental service operations, 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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2017 *	2016	2017	2016	2017 *
Current and Other Assets	\$ 11,197,195	10,283,015	27,830,117	25,542,862	39,027,312	\$ 35,825,877
Capital Assets	26,192,519	27,014,494	75,098,018	72,446,094	101,290,537	99,460,588
Deferred Outflows of Resources	608,437	1,941,078	388,666	1,457,895	997,103	3,398,973
Total Assets and Deferred Outflows of Resources	37,998,151	39,238,587	103,316,801	99,446,851	141,314,952	138,685,438
Long-Term Liabilities Outstanding	8,468,665	11,680,446	21,871,347	23,366,692	30,340,012	35,047,138
Other Liabilities	2,297,773	806,329	4,678,166	1,885,295	6,975,939	2,691,624
Deferred Inflows of Resources	282,952	120,800	160,874	74,397	443,826	195,197
Total Liabilities and Deferred Inflows of Resources	11,049,390	12,607,575	26,710,387	25,326,384	37,759,777	37,933,959
Net Position:						
Net Investment in Capital Assets	18,615,092	19,614,200	50,835,364	51,388,724	69,450,456	71,002,924
Restricted	3,651,785	3,045,196	-	-	3,651,785	3,045,196
Unrestricted	4,681,884	3,971,616	25,771,050	22,731,743	30,452,934	26,703,359
Total Net Position	\$ 26,948,761	26,631,012	76,606,414	74,120,467	103,555,175	\$ 100,751,479

\* The City implemented GASB #73 in FY 2017. See Note I.B "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 \$103,555,000 as of June 30, 2017. The City's net position decreased by approximately \$2,319,000 for the fiscal year ended June 30, 2017 largely due to a decrease in the net position of the Water and Sewer Fund of approximately \$2,487,000. However, the largest portion of net position 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 \$3,045,000 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 \$26,703,000 (27%) is unrestricted.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2017 *	2016	2017	2016	2017 *
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 715,345	763,155	16,690,122	16,496,829	17,405,467	\$ 17,259,984
Operating Grants & Contributions	722,754	807,606	-	-	722,754	807,606
Capital Grants and Contributions	1,073,002	565,917	46,537	679,969	1,119,539	1,245,886
General Revenues:						
Property Taxes	8,084,440	8,302,439	-	-	8,084,440	8,302,439
Other Taxes & Fees	4,750,851	4,724,102	-	-	4,750,851	4,724,102
Other Revenue	452,588	338,809	341,674	187,198	794,262	526,007
Total Revenues	<u>15,798,980</u>	<u>15,502,028</u>	<u>17,078,333</u>	<u>17,363,996</u>	<u>32,877,313</u>	<u>32,866,024</u>
<b>Expenses:</b>						
General Government	2,583,313	3,157,971	-	-	2,583,313	3,157,971
Public Safety	7,209,269	7,773,702	-	-	7,209,269	7,773,702
Transportation	2,653,172	2,452,605	-	-	2,653,172	2,452,605
Environmental Protection	21,508	139,054	-	-	21,508	139,054
Economic and Physical Development	520,035	564,691	-	-	520,035	564,691
Culture and Recreation	968,892	1,010,569	-	-	968,892	1,010,569
Interest on Long-Term Debt	295,850	263,137	-	-	295,850	263,137
Water and Sewer Fund	-	-	17,428,160	18,366,688	17,428,160	18,366,688
Environmental Services Fund	-	-	1,242,213	1,456,781	1,242,213	1,456,781
Total Expenses	<u>14,252,039</u>	<u>15,361,729</u>	<u>18,670,373</u>	<u>19,823,469</u>	<u>32,922,412</u>	<u>35,185,198</u>
Increase in Net Position Before Transfers	1,546,941	140,299	(1,592,040)	(2,459,473)	(45,099)	(2,319,174)
Transfers	138,947	26,474	(138,947)	(26,474)	-	-
Change in Net Position	<u>1,685,888</u>	<u>166,773</u>	<u>(1,730,987)</u>	<u>(2,485,947)</u>	<u>(45,099)</u>	<u>(2,319,174)</u>
Net Position, Beginning of Year,						
as Previously Reported	25,262,873	26,948,761	78,337,401	76,606,414	103,600,274	103,555,175
Restatement - Implementation of GASB #73	-	(484,522)	-	-	-	(484,522)
Net Position, Beginning (Restated)	<u>25,262,873</u>	<u>26,464,239</u>	<u>78,337,401</u>	<u>76,606,414</u>	<u>103,600,274</u>	<u>103,070,653</u>
Net Position, End of Year	<u>\$ 26,948,761</u>	<u>26,631,012</u>	<u>76,606,414</u>	<u>74,120,467</u>	<u>103,555,175</u>	<u>\$ 100,751,479</u>

\* The City implemented GASB #73 in FY 2017. See Note I.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 \$167,000. The key element of this increase is due to 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 decreased the City's net position by approximately \$2,486,000 due to the increase in capital expenses.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

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

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 \$4,326,000 with a total fund balance of approximately \$7,648,000, a decrease of approximately \$765,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$1,102,000 for fiscal year 2017 primarily to provide an appropriation for a large expenditure for the purchase of property. However, the expenditure was for property held for resale and therefore was reclassified as an asset according to GAAP. In the upcoming fiscal year 2018 budget, approximately \$1,018,000 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, 2017 represents 28% percent of total next year General Fund budgeted expenditures.

At June 30, 2017, the governmental funds of the City reported a combined total governmental fund balance of approximately \$9,259,000, a 6% decrease over last year.

The General Fund recorded operating revenues of approximately \$14,109,000 during fiscal year 2017, which was an increase of approximately \$242,000, or 2% over the approximately \$13,868,000 recorded in fiscal year 2016, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$130,000 or 2% over 2016, due to minor growth in the tax base.
- Unrestricted Intergovernmental Revenue increased slightly over the prior fiscal year by approximately \$47,000 or 1% due to not receiving any revenue for the Police 911 Secondary Share and a decline in Utility Sales Tax, offset by a small increase in Local Sales and Use Tax.
- Restricted Intergovernmental Revenue, which includes grants or revenues and contributions received from other governmental entities for a specific purpose, increased by approximately \$71,000 or 12% over the prior fiscal year. Factors contributing to this increase include a contribution from the Henderson County Tourism and Development Authority (TDA) of \$33,000 to contribute to the downtown hotel study along with street safety barricades for downtown, additionally, approximately \$14,000 was recorded for the expected FEMA grant reimbursement for the Cities share of costs related to the 2017 Partyrock fire, along with an increase of approximately \$29,000 in the revenue provided by recording a full year of revenue for the Police Department contract with the Henderson County Housing Authority which began in the second quarter of fiscal year 2016.
- Permits and Fees increased in 2017 by approximately \$40,000 or 38% over 2016. The majority of this increase, approximately \$80,000, is due to the new Fire Department Annual Inspection Fee adopted by City Council for the 2017 budget. The revenue increase from the new fee is partially offset by the discontinuation of the Business Registry Fee in that revenue category for which approximately \$46,000 had been received during the prior year.
- Sales and Services revenue increased approximately \$8,000 or 2% in total over the prior year due to an approximately \$17,000, or 17% increase in fiscal year 2017 in parking meter revenue. During fiscal year 2016, parking meter revenue was reduced due to the Azalea parking lot being under re-construction, in addition several lots were still undergoing the transition to new parking kiosks during 2016. There were no increases in parking meter rates for the fiscal year 2017. Parking revenues were also increased by approximately \$4,000 or a 9% increase in the monthly parking spot revenues collected due to rate restructuring and the addition of several more monthly rental spots. However, with the increases in Parking Revenues, the total increase in the Sales and Services category was decreased by lower pool entrance fees and concession revenues during fiscal year 2017.
- Utility Franchise Tax revenues were 4%, or approximately \$25,000 higher than the prior year collections.
- Investment Income earned on the investment of idle cash remained the same as the prior year, at approximately \$115,000. However, the City has additionally recorded an unrealized market adjustment decrease of approximately \$75,000 to record the investments at market value in accordance with GASB 31.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Governmental Funds (Continued)**

- Sales & Use Tax collections, which had seen significant increases during the past several years due to statewide increased consumer confidence and improved economic conditions, increased by approximately \$12,000 or less than 1% in the General Fund during fiscal year 2017, compared to the approximately \$401,000 or 15% increase seen in the prior year. A portion of the Sales & Use tax collected by the City is distributed to the two municipal tax districts, accounted for in the Main Street Fund and the Historic 7th Avenue Fund. During the budget for fiscal year 2017 the Council approved a change in the allocation method, basing the distribution of Sales & Use Tax revenues on the amount of assessed value in each district. During fiscal year 2017, the City increased the allocations to the two tax districts by approximately \$92,000, in total, above the Sales & Use tax distribution made for 2016. Thereby the General Fund Revenue distribution was correspondingly reduced during fiscal year 2017 by that same amount. For all funds, Sales and Use Tax collections increased by 3% over fiscal year 2016 City-wide as recorded in all three funds.
- Miscellaneous Income in fiscal year 2017 increased by approximately \$30,000 or 16% over fiscal year 2016 due primarily to an incentive rebate received from Duke Energy for the installation of energy efficient lighting, along with revenue recorded for a refund received from the State as a result of a sales tax audit.
- Insurance settlements declined during fiscal year 2017 by approximately \$53,000 or 55% from the prior year. Fiscal year 2016 insurance claim reimbursements included a very large claim of \$67,000 for the repair of the Fire Department ladder truck which had been damaged by vandalism during that fiscal year. Fiscal year 2017 saw the insurance claim revenue return to the historically expected amount.

Expenditures in the General Fund were approximately \$13,197,000 for fiscal year 2017, which was a decrease of approximately \$261,000, or 2% over the approximately \$13,458,000 recorded in fiscal year 2016, primarily due to the following:

- During fiscal year 2017, the City began paying debt service payments on Governmental debt out of the new Debt Service Fund. This reduced the expenditures in the General Fund by approximately \$1,119,000 during fiscal year 2017 as compared to the prior year.
- The Public Works Building Maintenance division completed capital renovations at Boyd Park, installed doors in the garage wash bay, and replaced several HVAC units. These capital expenditures, along with the addition of personnel contributed to the department increase of approximately \$281,000 over the prior year.
- Police Department capital outlay expenditures for additional vehicle replacements along with radio upgrades, and software and server upgrades, increased the department's total expenditures by approximately \$355,000 during fiscal year 2017 as compared to the prior year.
- The Fire Department expenditures increased by approximately \$342,000 over the prior year in large part due to the addition of new personnel, along with an increase in capital outlay for radio equipment upgrades and the purchase of a vehicle.
- The Development Assistance department underwent a staff reorganization during the budget planning process for 2017, which eliminated the previous high level Planning Director position, replacing it with a lower paid Senior Planner. This reorganization, coupled with some vacancies during the year, resulted in the department's actual payroll expenditures being approximately \$44,000 or 15% lower than the previous fiscal year. Additionally, during the prior year, 2016, the department underwent some office remodeling. There were no similar large expenditures during 2017, therefore the department ended fiscal year with approximately \$100,000 less expenditures than the prior 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.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Governmental Funds (Continued)**

During the fiscal year there was an increase in appropriations between the original and final amended General Fund budget totaling approximately \$760,000. The following are the components of the increase:

- July 2016 – Increase of approximately \$127,000 for the purchase of Police and Fire Department radio upgrades
- September 2016 – Increase of \$20,000 for the purchase of real estate property
- October 2016 – Increase of approximately \$49,000 for LED lighting upgrades at City facilities, which will be reimbursed by a rebate from the power company.
- October 2016 – Increase of \$130,000 for property purchases which will be resold
- January 2017 – Increase of approximately \$14,000 for a transfer to the N. Oak St. widening project
- January 2017 – Increase of approximately \$4,000 for bullet proof vest purchases
- January 2017 – Increase of approximately \$10,000 resulting from an increase in insurance settlement revenues
- February 2017 – Increase of \$25,000 resulting from an increase in actual ad valorem motor vehicle tax revenues
- February 2017 – Increase of approximately \$32,000 resulting from an increase in actual ABC revenues due to additional profit distributions.
- February 2017 – Decrease of \$50,000 resulting from a decrease in actual utility sales tax revenues
- February 2017 – Decrease of approximately \$3,000 resulting from a decrease in actual Powell Bill revenues
- February 2017 – Increase of \$33,000 resulting from a contribution from the Henderson County Tourism and Development Authority (TDA) to be used for barricades and a downtown hotel project study
- February 2017 – Increase of \$22,000 resulting from an increase in actual parking violation revenues
- February 2017 – Decrease of approximately \$4,000 resulting from a decrease in revenue for discounts earned
- February 2017 – Increase of approximately \$14,000 resulting from additional insurance claim reimbursements
- March 2017 – Increase of \$325,000 for the a property purchase which will be resold
- April 2017 – Increase of \$5,000 for the installation of an electric car charging station in the Dogwood parking lot
- May 2017 – Increase of approximately \$6,000 resulting from additional insurance settlement revenues

Several factors contributed to the General Fund actual revenues of approximately \$14,109,000 exceeding the budgeted revenues by approximately \$376,000 or 3%. These include:

- Property Tax collections were 2%, or approximately \$145,000 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 2016 tax levy, collected during fiscal year 2017 being 96% 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.
- Local Sales Tax collections exceeded the amended budgeted amount by approximately \$67,000, a 2% increase in actual revenue for fiscal year 2017.
- Revenues from the ABC Board exceeded the budgeted revenues by 50% or approximately \$53,000 above the expected amount due to the pay out of profits previously withheld pending completion of capital projects.
- Utility Tax came in approximately \$21,000 or 2% 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 \$33,000 and 13% below the budgeted amount.
- Net Investment Income recorded is approximately \$43,000 or 52% below the budgeted amount due to the year-end adjustment to mark the investments to market in accordance with GASB 31.
- Recreation Fees revenue exceeded the budget by approximately \$30,000 and 26% higher than 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 coming in over the estimated amount. Other contributing factors to the Sales and Services Revenue lines in total coming in 17% and approximately \$60,000 over the budgeted amount was Parking Meter Revenue which was approximately \$7,000 and 6% over budget along with the Monthly Parking Revenue completing the year approximately \$12,000 or 28% over the revised budget due to additional parking spots being rented.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Governmental Funds (Continued)**

- Miscellaneous Income fluctuates from year to year and is difficult to accurately budget as it is influenced by one time revenues and unexpected events. During fiscal year 2017, actual Miscellaneous Income exceeded the revised budget by 30% or approximately \$50,000 in part by an unexpected refund from the State of overpaid sales tax as a result of a sales tax audit, in addition to a one time contribution from Duke Energy for the energy efficient lighting replacements.

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 \$13,197,000, which was approximately \$964,000 or 7% below the approximately \$14,161,000 revised expenditures budget for the fiscal year 2017. The following factors contributed to the reduction of expenditures during fiscal year 2017, these include:

- The largest reason for the variance between the 2017 budget and actual was because the City budgeted \$434,000 in the Administration Capital Outlay account for the purchase of several real estate properties near the City owned Historic Grey Hosiery Mill. The Mill and the adjacent newly acquired parcels are intended to be sold together to a developer for a downtown boutique hotel project. Because the assets will be held for sale they have been reclassified out of the Capital Outlay account to an Assets Held for Resale account in accordance with GAAP. The City budget included an appropriation of fund balance partially due to this expected large expenditure, which was not needed due to this expenditure reclassification and the other increases in revenue listed in the following bullets.
- The Developmental Assistance Department ended the year with approximately \$102,000 less expenditures than budgeted. A portion of this reduction was caused by unexpended reduced salary expenditures due to several vacancies during the year, causing actual payroll expenditures to be approximately \$32,000 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 2017, no such actions where necessary, resulting in the department showing approximately \$11,000 less expenditures than budgeted in that expenditure line.
- The Public Works Administration department variance contributed approximately \$35,000 to the reduction of actual expenditures compared to the fiscal year 2017 budget. The department expended \$6,000 less than budgeted in the Capital Outlay account by purchasing a used vehicle instead of a new one as budgeted. Additionally, this department budgeted amounts for a communication contract, however no expenditures were incurred. The department also budgeted for renewal fees for software, however those costs were paid out of the IT department, as the City reorganized all computer software maintenance costs into the IT department during fiscal year 2017.
- The Public Works Streets and Highway Department ended the year with approximately \$87,000 or 10% excess budget, primarily due to fewer repair projects being necessary during the fiscal year. There is a corresponding reduction in revenue recorded in the Street Paving Cut Customer Contribution account for this reduction of repairs needed by Utility companies during fiscal year 2017. These expenditures and related revenues fluctuate each year.
- The budget for the Public Works Traffic Department's street and traffic lights was \$20,000 over estimated during fiscal year 2017, to prepare for a possible rate increase.
- The City funds the Law Enforcement Officers Special Separation Allowance (LEOSSA) on a pay as you go basis in the Police Department. The actual payouts required for this plan were approximately \$24,000 or 34% below the amount budgeted due to several officers reaching the maximum age in LEOSSA plan during the fiscal year.
- Police Department Retirement expenditures also came in approximately \$21,000 below budget due to personnel changes.
- During the fiscal year 2017, the Engineering department staff worked on the Highway 64 Sidewalk Grant Project and allocated \$23,000 salary to the project fund which contributed to the in-kind match for the grant. This reduced the actual expenditures recorded in the General Fund.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Governmental Funds (Continued)**

**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 \$577,000 over the prior year. The primary reason for the difference is that the Oklawaha Greenways Phase 3 Project Fund recorded approximately \$977,000 in grant revenue during the prior fiscal year. The project has been completed, therefore there is a reduction of revenue during fiscal year 2017.

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 an approximately \$18,000 increase in fund balance for fiscal year 2017.

Total Main Street Fund revenues decreased by approximately \$62,000 or 10% below fiscal year 2016. Factors contributing to the decrease in revenues during fiscal year 2017 are as follows:

- Ad Valorem Taxes remained relatively the same as the prior year.
- The revenue recorded in the Main Street Fund for Sales & Use Tax was approximately \$31,000 lower in fiscal year 2017 as compared to 2016 because the City changed the allocation method to distribute the revenues to the funds based on the assessed values in the Municipal Tax Districts.
- Restricted Governmental Revenue recorded during 2017 was approximately \$81,000 less than the prior year amount recorded in the Main Street Fund because during fiscal year 2016 the fund received a one-time appropriation of approximately \$96,000 from the State Legislature. This reduction to Restricted Governmental during fiscal year 2017 was partially offset by a one-time payment from Henderson County Tourism and Development Authority (TDA) of approximately \$15,000 to contribute to the holiday lighting project.
- Special Events Revenues were approximately \$58,000 less in fiscal year 2017 because the Rhythm and Brews event began being held by a non-profit midway through the fiscal year.

Expenditures in the Non-Major Governmental Funds increased approximately \$1,249,000 over the prior year. Key components of these variances between fiscal year 2017 and 2016 include the following:

- Debt Service payments, which had previously been recorded in the General Fund, began being accounted for in the newly established Debt Service Fund. This increased the Non-Major Governmental Funds expenditures by approximately \$1,102,000 over the prior year.
- 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.
- The Sidewalk Construction Project, also a Non-Major Governmental Capital Project Fund recorded approximately \$208,000 in Capital Outlay in fiscal year 2017, compared to only approximately \$15,000 expended in that fund during the previous year.
- Total Main Street Fund expenditures decreased by approximately \$142,000 or 22% below fiscal year 2016. Factors contributing to the decrease in revenues in this Non-Major Special Revenue Fund during fiscal year 2017 are as follows:
  - Fiscal year 2016 included a one-time expenditure for capital outlay using the appropriation provided by the State. Additionally, the prior year, contained a large capital outlay for the purchase of the parking lot Kiosks. Fiscal year 2017 did not include any capital outlay expenditures.
  - During fiscal year 2017, only minor expenditures were made for the Rhythm and Brews event before the festival was taken over by a new non-profit in the spring before the event series began.



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**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 \$15,080,000 in operating revenues for fiscal year 2017. This was an approximately \$406,000 and 3% decrease from fiscal year 2016. The primary reason for this decrease is due to the discontinuation of system development charges. The following provides further details for the decrease in the fund revenues during fiscal year 2017:

- Water Sales Revenue was approximately \$9,605,000 for fiscal year 2017, which was less than 2% lower than the previous year. Water and sewer rates both increased by 3% and 0.5% for inside and outside customer rates, respectively, however, operating revenues remained neutral due to the extreme drought conditions that existed from October through the end of the fiscal year. Voluntary conservation efforts were put in place and water production at the Water Treatment Plant decreased by approximately 10%. These drought conditions lowered the amount of water sold and wastewater treated more than what is typical for a year under normal conditions.
- Sewer Charges were approximately \$33,000 or 1% lower in fiscal year 2017 than the previous year.
- The discontinuation of System Development Charges in fiscal year 2017 resulted in a loss of approximately \$368,000 of expected revenue.
- The Water & Sewer fund recorded an unrealized market adjustment decrease of approximately \$164,000 to record the investments at market value in accordance with GASB 31, which is the primary factor for the fiscal year the non-operating revenues being approximately \$180,000 below the amount recorded in fiscal year 2016.

The Water & Sewer Fund recorded approximately \$16,472,000 in operating expenses for fiscal year 2017. This was approximately \$1,522,000 and 10% higher than fiscal year 2016.

- The primary reason for the increase in operating expenses during fiscal year 2017 was due to the increase in capital outlay. The City accrued and expensed an approximately \$835,000 liability in 2017 for a payment to the Department of Transportation (DOT) for the Cities share of water infrastructure installed by the DOT during two major road projects.
- The Water & Sewer Fund provided a one-time \$400,000 rebate to the Hendersonville Housing Assistance organization for reimbursement of the costs of infrastructure for their low income housing construction project.

**Water & Sewer Fund Transfers:**

- The Water & Sewer Fund transferred out a total of approximately \$1,913,000 during fiscal year 2017. This included approximately \$19,000 to the Hwy 64 Sidewalk Fund Project to provide funding for the water infrastructure costs for that Capital Project and the Water and Sewer Fund also transferred approximately \$8,000 to the North Oak Street Capital Project fund to provide for the water infrastructure improvements required in the street widening project. In addition, as budgeted in the Capital Project Ordinances, approximately \$1,886,000 was transferred to the Water & Sewer Capital Projects. This was approximately \$3,134,000 less than the approximately \$5,020,000 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.
- The Enterprise Capital Reserve Fund budgeted and transferred approximately \$2,264,000 to the Water & Sewer Fund during fiscal year 2017 in order to provide additional funding for the capital projects. This amount was the entire balance of the Capital Reserve Fund, thereby closing that fund.

Unrestricted net position of the Water and Sewer Fund at the end of 2017 totaled approximately \$22,123,000 which was a 12% decrease over the prior year total of approximately \$25,246,000.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Proprietary Funds (Continued)**

**Environmental Service Fund**

The Environmental Service Fund total unrestricted net position decreased 3% to approximately \$508,000 at June 30, 2017 compared to the prior year total of approximately \$525,000 due to increases for new stormwater personnel and other additional stormwater repair expenditures.

- Operating revenues were approximately \$212,000 and 18% higher for fiscal year 2017 than the previous year due primarily to the rate increases for both Stormwater Fees and Sanitation rates.
- Expenses in the Environmental Service Fund decreased by approximately \$106,000 or 7% from the prior year because there was no capital outlay expended in fiscal year 2017. During fiscal year 2016, the Environmental Service Fund purchased a garbage truck.

During fiscal year 2017 the Environmental Service Fund transferred \$100,000 out to the newly established Stormwater Fund. The Stormwater Fund will begin operations during fiscal year 2018.

**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, 2017, totaled approximately \$99,461,000 (net of accumulated depreciation). This was a decrease of approximately \$1,830,000 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Pierce Fire Engine
- HWY 64 Sidewalk Improvements and Blythe St. Sidewalk Improvements
- Park Improvements
- HVAC Unit Replacements
- Police & Fire radio upgrades
- Police software and server upgrades
- Trimble Geo
- New Holland Tractor
- Western Star Dump Truck
- Kubota Tractor, and Several vehicles
- Water & Sewer Lines
- Glenbrook Sewer Improvements
- Sewer Lift Station Improvements
- Scada Panels

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION, (CONTINUED)

City's Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 4,158,275	4,198,029	2,139,194	2,341,233	6,297,469	\$ 6,539,262
Buildings	8,274,089	8,052,026	847,388	814,707	9,121,477	8,866,733
Other Improvements	808,851	1,835,481	-	18,875	808,851	1,854,356
Machinery and Equipment	2,143,919	2,912,412	6,233,670	2,918,162	8,377,589	5,830,574
Infrastructure	9,377,070	9,599,132	65,348,330	64,857,884	74,725,400	74,457,016
Other (Intangibles)	50,561	94,192	84,965	71,657	135,526	165,849
Construction in Progress	1,379,754	323,222	444,471	1,423,576	1,824,225	1,746,798
Total	\$ 26,192,519	27,014,494	75,098,018	72,446,094	101,290,537	\$ 99,460,588

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 capital assets can be found in *Note III.D* in the *Notes to the Financial Statements* for the Primary Government and for the ABC Board which is classified as a Component Unit for the City.

**Long-Term Debt**

As of June 30, 2017, the City had total bonded debt outstanding of \$1,490,000. 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 Debt

General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
General Obligation Bonds	\$ 1,680,000	1,490,000	-	-	1,680,000	\$ 1,490,000
Total	\$ 1,680,000	1,490,000	-	-	1,680,000	\$ 1,490,000

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

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$110,664,000.

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, 2017

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#### 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, 2017. Neighboring Buncombe County had the lowest unemployment in the state at 3.2% as of June 30, 2017.
- The Asheville Metropolitan Area continues to grow and have a favorable impact on the City of Hendersonville. The area was ranked one of the best mid-markets in the South to relocate headquarters by *Southern Business & Development*, 2016. The Asheville Airport, less than 20 miles from the City of Hendersonville, is the second-fastest growing small-hub in the country, serving approximately 96,179 passengers during the month of August 2017, a 17.7% increase over the same month in 2016. NCDOT Interstate 26 improvements are in the planning stages, along with road improvements within the City on both Kanuga Road and Highway 64. Other major NCDOT projects in the near future include Highland Lake Road, Old Airport Road and Balfour Parkway. Duke Energy has announced that it plans to invest \$13 billion in infrastructure in the area during the next 10 years.
- The Henderson County Partnership for Economic Development facilitated a grant to be 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, 2018

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 2017. 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 2018 budget can be found on the City's website at: <http://www.hvlnc.gov/budget>.

The fiscal year ending June 30, 2018 ("FY2018") operating budget totals approximately \$38,714,000 for the City's six major operating funds after inter-fund transfers. This is approximately \$3,057,000, or 9%, higher than the approximately \$35,657,000 original FY 2017 budget, due in part to increases in capital outlay and the implementation of the Pay and Class personnel increases planned in fiscal year 2018.

##### Governmental Activities

The fiscal year 2018 budget calls for \$0.01 increase in the tax rate, bringing the ad valorem tax rate to \$0.47 per \$100 in assessed value. This rate is budgeted to generate approximately \$7,448,000 in ad valorem tax revenue and \$600,000 in motor vehicle tax revenue for the fiscal year.

The fiscal year 2018 adopted expenditure budget for the General fund totals approximately \$15,389,000 which is approximately \$523,000 above the final 2017 fiscal year amended budgeted. The increase is primarily due to a 25% increase in health insurance premiums, implementation of the first two phases of the pay and classification program, the addition of seven new positions, and natural growth for employee merit increases. The FY2018 General Fund budget includes the planned use of approximately \$1,018,000 of fund balance. The General Fund budget for fiscal year 2018 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 penny increase levied during fiscal year 2018 was partially necessary to fund two additional animal control officers to cover a function that has been discontinued by Henderson County.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Business-type Activities**

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for approximately 54% of total expenses. The fiscal year 2018 operating budget, not including transfers to the Water and Sewer Capital Projects, totals approximately \$17,410,000 and is 8% lower than the prior fiscal year due to a reduction in expenses required to reimburse the Department of Transportation for the City's share of water infrastructure on road improvement projects. The Water and Sewer Fund revenue budget for the upcoming year reflects a rate increase which is part of a gradual plan to unify the rate structure between internal and external customers and to enhance the priority of environmental conservation.

The Water and Sewer fund has approximately \$5,760,000 fund balance appropriated in next year's budget in order to transfer approximately \$3,880,000 to several capital project funds and provide for major capital purchases. 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 was increased by approximately \$98,000 or 7% in next year's budget. The increase is primarily for the capital outlay for the purchase of a new garbage truck in fiscal year 2018 which is offset by the stormwater related expenditures being budgeted in the newly established Stormwater Fund in FY18.

The Stormwater Fund is a newly created fund to account for the personnel, operating, and capital expenditures related to stormwater services. This function provides services that will help manage the City's NPDES phase II permit and post-construction stormwater management. The fiscal year 2018 budget for the Stormwater Fund is approximately \$261,000 funded by the \$2.00 flat monthly fee to all water customers within the City limits and extraterritorial jurisdiction.

**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, the purchase of a skid steer, improvements in several parks, an upgrade to the City building key access system, routine replacement of vehicles, and the replacement of AED's for the Fire Department. Additionally, during fiscal year 2018 the City will begin the planning phase for the construction of a new police station.

The Water and Sewer fund will purchase a chlorine scrubber for the water treatment plant and a dump truck as part of the regular replacement schedule as planned in the CIP.

Several major Water and Sewer capital projects will continue in the fiscal year 2018 budget, including the Eastside Transmission Main project, Gravity Filter Replacement project, the Etowah Water System Improvements, Wastewater Treatment Plant Generator Project, Water Treatment Plant High Service Pump Station project as well as continuation of the district metering project which is expected to aid staff in better monitoring water losses in the distribution system.

Several new Water & Sewer projects will begin during fiscal year 2018, including the Northside Water System project which will increase the elevation of the pressure gradient and add more water storage capacity in the northern portion of Henderson County. The City staff will begin the planning phase for the French Broad Raw Water Intake and Pump Station project which will construct an additional intake to allow for the future effective supply and delivery of drinking water for the growing utility. It will also create a redundancy to ensure the delivery and supply of water in drought conditions. The wastewater treatment plant produces a Class B sludge that currently is disposed of in a regulated landfill in South Carolina. The City will begin to research alternative solutions to process and dispose of the sludge.

The newly established Stormwater Fund will begin a creek stabilization project along Old Chimney Rock Road to restore eroding stream bank.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

**Capital Improvement Plan (Continued)**

The Environmental Service Fund has a budget to replace a garage truck 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, 2017

	PRIMARY GOVERNMENT			COMPONENT
	Governmental Activities	Business-Type Activities	Totals	UNIT ABC Board
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,039,498	4,249,710	6,289,208	\$ 941,086
Pooled Cash and Cash Equivalents, Restricted	1,007,676	-	1,007,676	-
Pooled Investments	4,599,725	18,398,898	22,998,623	-
Receivables, Net:				
Interest	34,113	75,644	109,757	-
Property Taxes	275,551	-	275,551	-
Accounts	57,963	1,960,486	2,018,449	595
Grants	123,070	106,481	229,551	-
Shared Taxes	1,214,930	2,219	1,217,149	-
Refundable Taxes	357,980	2,976	360,956	-
Due From Component Unit	85,564	-	85,564	-
Prepays and Inventories	52,379	746,448	798,827	728,284
Land Held for Sale/Redevelopment	434,566	-	434,566	-
Capital Assets:				
Non-Depreciable	4,521,251	3,764,809	8,286,060	640,091
Depreciable, Net	22,493,243	68,681,285	91,174,528	915,224
<b>TOTAL ASSETS</b>	<b>37,297,509</b>	<b>97,988,956</b>	<b>135,286,465</b>	<b>3,225,280</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	1,941,078	1,457,895	3,398,973	118,681
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,941,078</b>	<b>1,457,895</b>	<b>3,398,973</b>	<b>118,681</b>
<b>LIABILITIES</b>				
Accounts Payable	361,430	1,382,027	1,743,457	314,691
Accrued Interest Payable	62,852	152,075	214,927	-
Accrued Salaries and Benefits	368,350	274,643	642,993	-
Customer Deposits	1,375	76,550	77,925	-
Other Accrued Liabilities	-	-	-	154,813
Due to Primary Government	-	-	-	85,564
Due to Other Governments	-	-	-	85,564
Unearned Revenues	12,322	-	12,322	-
Non-Current Liabilities:				
Due Within One Year	1,176,159	2,695,590	3,871,749	-
Due in More Than One Year	10,504,287	20,671,102	31,175,389	112,565
<b>TOTAL LIABILITIES</b>	<b>12,486,775</b>	<b>25,251,987</b>	<b>37,738,762</b>	<b>753,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	116,157	74,397	190,554	3,689
Prepaid Taxes	4,493	-	4,493	-
Prepaid Billings	150	-	150	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>120,800</b>	<b>74,397</b>	<b>195,197</b>	<b>3,689</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	19,614,200	51,388,724	71,002,924	1,555,315
Restricted For:				
Stabilization by State Statute	1,942,359	-	1,942,359	-
General Government	3,689	-	3,689	-
Economic Development	173,511	-	173,511	-
Public Safety	43,673	-	43,673	-
Cultural and Recreational	4,687	-	4,687	-
Transportation	877,277	-	877,277	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	197,583
Unrestricted	3,971,616	22,731,743	26,703,359	803,548
<b>TOTAL NET POSITION</b>	<b>\$ 26,631,012</b>	<b>74,120,467</b>	<b>100,751,479</b>	<b>\$ 2,587,075</b>

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, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			Component Unit ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>PRIMARY GOVERNMENT:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 3,157,971	38,379	-	10,888	(3,108,704)	-	(3,108,704)	\$ -
Public Safety	7,773,702	295,562	275,093	1,435	(7,201,612)	-	(7,201,612)	-
Transportation	2,452,605	-	383,681	500,295	(1,568,629)	-	(1,568,629)	-
Environmental Protection	139,054	-	-	53,299	(85,755)	-	(85,755)	-
Economic and Physical Development	564,691	-	128,714	-	(435,977)	-	(435,977)	-
Culture and Recreational	1,010,569	429,214	20,118	-	(561,237)	-	(561,237)	-
Interest on Long-Term Obligations	263,137	-	-	-	(263,137)	-	(263,137)	-
<b>Total Governmental Activities</b>	<b>15,361,729</b>	<b>763,155</b>	<b>807,606</b>	<b>565,917</b>	<b>(13,225,051)</b>	<b>-</b>	<b>(13,225,051)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water and Sewer	18,366,688	15,079,674	-	672,564	-	(2,614,450)	(2,614,450)	-
Environmental Services	1,456,781	1,417,155	-	7,405	-	(32,221)	(32,221)	-
<b>Total Business-Type Activities</b>	<b>19,823,469</b>	<b>16,496,829</b>	<b>-</b>	<b>679,969</b>	<b>-</b>	<b>(2,646,671)</b>	<b>(2,646,671)</b>	<b>-</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 35,185,198</b>	<b>17,259,984</b>	<b>807,606</b>	<b>1,245,886</b>	<b>(13,225,051)</b>	<b>(2,646,671)</b>	<b>(15,871,722)</b>	<b>-</b>
<b>COMPONENT UNIT:</b>								
ABC Board	\$ 6,552,657	6,683,400	-	-	-	-	-	130,743
<b>TOTAL - COMPONENT UNIT</b>	<b>\$ 6,552,657</b>	<b>6,683,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,743</b>
<b>General Revenues and Transfers:</b>								
General Revenues:								
Taxes:								
Property Taxes					8,302,439	-	8,302,439	-
Sales Taxes					3,198,658	-	3,198,658	-
Franchise Taxes					1,268,189	-	1,268,189	-
Gross Receipts Tax					12,200	-	12,200	-
Other Taxes					245,055	-	245,055	-
Investment Income					45,477	85,509	130,986	-
Miscellaneous					293,332	95,465	388,797	-
Gain on Sale of Assets					-	6,224	6,224	-
Transfers In (Out)					26,474	(26,474)	-	-
<b>Total General Revenues and Transfers</b>					<b>13,391,824</b>	<b>160,724</b>	<b>13,552,548</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>166,773</b>	<b>(2,485,947)</b>	<b>(2,319,174)</b>	<b>130,743</b>
NET POSITION, Beginning of Year, as Previously Reported					26,948,761	76,606,414	103,555,175	2,456,332
Cumulative Change in Accounting Principle - Implementation of GASB #73					(484,522)	-	(484,522)	-
NET POSITION, Beginning of Year, Restated					<b>26,464,239</b>	<b>76,606,414</b>	<b>103,070,653</b>	<b>2,456,332</b>
<b>NET POSITION, END OF YEAR</b>					<b>26,631,012</b>	<b>74,120,467</b>	<b>100,751,479</b>	<b>\$ 2,587,075</b>

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, 2017

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 1,322,136	693,881	\$ 2,016,017
Pooled Cash and Cash Equivalents, Restricted	-	1,007,676	1,007,676
Pooled Investments	4,599,725	-	4,599,725
Receivables, Net:			
Interest	33,443	670	34,113
Taxes	260,185	15,366	275,551
Accounts	57,963	-	57,963
Grants	13,504	109,566	123,070
Shared Taxes	1,299,746	748	1,300,494
Refundable Taxes	356,611	1,369	357,980
Due From Other Funds	68,739	-	68,739
Prepaid Items	39,699	12,680	52,379
Land Held for Sale/Redevelopment	434,566	-	434,566
<b>TOTAL ASSETS</b>	<b>\$ 8,486,317</b>	<b>1,841,956</b>	<b>\$ 10,328,273</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 203,756	134,193	\$ 337,949
Accrued Salaries and Benefits	368,350	-	368,350
Customer Deposits	1,375	-	1,375
Due To Other Funds	-	68,739	68,739
Unearned Revenues	-	12,322	12,322
<b>TOTAL LIABILITIES</b>	<b>573,481</b>	<b>215,254</b>	<b>788,735</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	260,185	15,366	275,551
Prepaid Taxes	4,493	-	4,493
Prepaid Billings	150	-	150
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>264,828</b>	<b>15,366</b>	<b>280,194</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Items	39,699	12,680	52,379
Land Held for Sale/Redevelopment	434,566	-	434,566
Restricted For:			
Stabilization by State Statute	1,830,006	112,353	1,942,359
General Government	-	3,689	3,689
Economic Development	-	173,511	173,511
Public Safety	-	43,673	43,673
Cultural and Recreational	-	4,687	4,687
Transportation	-	877,277	877,277
Committed - Organic Garden	-	3,230	3,230
Assigned For:			
Subsequent Year's Expenditures	1,017,696	439,020	1,456,716
Debt Service	-	146,344	146,344
Unassigned	4,326,041	(205,128)	4,120,913
<b>TOTAL FUND BALANCES</b>	<b>7,648,008</b>	<b>1,611,336</b>	<b>9,259,344</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,486,317</b>	<b>1,841,956</b>	<b>\$ 10,328,273</b>

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, 2017

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 9,259,344**

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 \$46,843,557 and the accumulated depreciation was \$19,829,063.	27,014,494
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.	275,551
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.	(62,852)
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.	1,821,258
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.	3,663
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	(7,400,294)
Net Pension Liability - LGERS Pension Plan	(2,102,508)
Net Pension Liability - LEOSSA	(880,684)
Net OPEB Obligation - Health Care Plan	(600,633)
Compensated Absences	(696,327)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 26,631,012**

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, 2017

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 7,972,004	259,997	\$ 8,232,001
Other Taxes and Licenses	12,200	-	12,200
Unrestricted Intergovernmental Revenue	4,621,592	198,563	4,820,155
Restricted Intergovernmental Revenue	679,269	623,818	1,303,087
Permits and Fees	143,613	-	143,613
Sales and Services	422,958	95,714	518,672
Investment Earnings	40,245	5,231	45,476
Miscellaneous	217,446	84,198	301,644
<b>TOTAL REVENUES</b>	<b><u>14,109,327</u></b>	<b><u>1,267,521</u></b>	<b><u>15,376,848</u></b>
<b>EXPENDITURES</b>			
Current:			
General Government	2,843,232	-	2,843,232
Public Safety	7,017,849	124,196	7,142,045
Transportation	1,810,660	27,913	1,838,573
Environmental Protection	-	139,054	139,054
Economic and Physical Development	-	542,179	542,179
Culture and Recreational	791,636	26,700	818,336
Capital Outlay	733,415	1,524,395	2,257,810
Debt Service:			
Principal Retirement	-	832,133	832,133
Interest and Bank Fees	-	270,328	270,328
<b>TOTAL EXPENDITURES</b>	<b><u>13,196,792</u></b>	<b><u>3,486,898</u></b>	<b><u>16,683,690</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>912,535</u></b>	<b><u>(2,219,377)</u></b>	<b><u>(1,306,842)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment Purchase Obligations Issued	-	655,000	655,000
Insurance Proceeds	43,855	-	43,855
Sale of Capital Assets	8,972	-	8,972
Transfers In	488	727,410	727,898
Transfers Out	(699,241)	(2,183)	(701,424)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(645,926)</u></b>	<b><u>1,380,227</u></b>	<b><u>734,301</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b><u>266,609</u></b>	<b><u>(839,150)</u></b>	<b><u>(572,541)</u></b>
FUND BALANCES, Beginning of Year	<u>7,381,399</u>	<u>2,450,486</u>	<u>9,831,885</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 7,648,008</u></b>	<b><u>1,611,336</u></b>	<b><u>\$ 9,259,344</u></b>

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, 2017**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (572,541)**

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.	70,437
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(655,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	832,133
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.	7,191
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.	10,888
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.	(153,314)
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.	(30,951)
Changes in the City's net other post-employment benefit obligation (retiree health care plan) is not reported in the governmental funds but is reported in the Statement of Activities.	(33,694)
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.	(75,624)
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 net book value of the capital assets sold.	(20,834)
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.	(43,839)
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 capital asset additions of \$2,287,694 exceeded depreciation expense of \$1,455,773 in the current period.	831,921

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 166,773**

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, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 7,801,595	7,826,595	7,972,004	\$ 145,409
Other taxes and licenses	14,600	14,600	12,200	(2,400)
Unrestricted Intergovernmental Revenue	4,528,454	4,510,711	4,621,592	110,881
Restricted Intergovernmental Revenue	579,199	609,521	679,269	69,748
Permits and Fees	158,575	158,575	143,613	(14,962)
Sales And Services	363,550	362,650	422,958	60,308
Investment Earnings	83,000	83,000	40,245	(42,755)
Miscellaneous Revenues	140,000	167,730	217,446	49,716
<b>TOTAL REVENUES</b>	<b>13,668,973</b>	<b>13,733,382</b>	<b>14,109,327</b>	<b>375,945</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,778,345	2,938,969	2,843,232	95,737
Public Safety	7,149,967	7,189,724	7,017,849	171,875
Transportation	2,024,084	1,942,822	1,810,660	132,162
Culture and Recreation	731,835	805,095	791,636	13,459
Capital Outlay	730,000	1,284,681	733,415	551,266
<b>TOTAL EXPENDITURES</b>	<b>13,414,231</b>	<b>14,161,291</b>	<b>13,196,792</b>	<b>964,499</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>254,742</b>	<b>(427,909)</b>	<b>912,535</b>	<b>1,340,444</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	-	29,702	43,855	14,153
Sale of Capital Assets	-	-	8,972	8,972
Transfers In	-	-	488	488
Transfers Out	(691,723)	(704,266)	(699,241)	5,025
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(691,723)</b>	<b>(674,564)</b>	<b>(645,926)</b>	<b>28,638</b>
Fund Balance Appropriated	436,981	1,102,473	-	(1,102,473)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>-</b>	<b>266,609</b>	<b>\$ 266,609</b>
FUND BALANCES, Beginning of Year			7,381,399	
<b>FUND BALANCES, End of Year</b>			<b>\$ 7,648,008</b>	

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, 2017

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 3,876,764	272,946	100,000	4,249,710	\$ 23,481
Pooled Investments	18,168,912	229,986	-	18,398,898	-
Receivable, Net					
Accounts Receivable	1,778,442	182,044	-	1,960,486	-
Grants	106,481	-	-	106,481	-
Shared Taxes	-	2,219	-	2,219	-
Refundable Taxes	2,906	70	-	2,976	-
Accrued Interest	72,834	2,810	-	75,644	-
Due From Other Funds	-	1,000	-	1,000	-
Prepaid and Inventories	745,674	774	-	746,448	-
Total Current Assets	<u>24,752,013</u>	<u>691,849</u>	<u>100,000</u>	<u>25,543,862</u>	<u>23,481</u>
Non-Current Assets:					
Capital Assets:					
Non-Depreciable	3,753,675	11,134	-	3,764,809	-
Depreciable, Net	67,977,451	703,834	-	68,681,285	-
Total Non-Current Assets	<u>71,731,126</u>	<u>714,968</u>	<u>-</u>	<u>72,446,094</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>96,483,139</u></b>	<b><u>1,406,817</u></b>	<b><u>100,000</u></b>	<b><u>97,989,956</u></b>	<b><u>23,481</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Pension Charges	1,293,388	164,507	-	1,457,895	-
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	1,349,110	32,917	-	1,382,027	23,481
Accrued Interest Payable	151,819	256	-	152,075	-
Accrued Salaries and Benefits	236,312	38,331	-	274,643	-
Customer Deposits	76,550	-	-	76,550	-
Due To Other Funds	1,000	-	-	1,000	-
Current Portion of Compensated Absences	139,874	13,675	-	153,549	-
Current Portion of Debt	2,511,326	30,715	-	2,542,041	-
Total Current Liabilities	<u>4,465,991</u>	<u>115,894</u>	<u>-</u>	<u>4,581,885</u>	<u>23,481</u>
Non-Current Liabilities:					
Net Pension Liability	1,416,925	180,221	-	1,597,146	-
Other Post Employment Benefits	344,549	60,529	-	405,078	-
Compensated Absences, Less Current Portion	139,874	13,675	-	153,549	-
Debt, Less Current Portion	18,383,436	131,893	-	18,515,329	-
Total Long-Term Liabilities	<u>20,284,784</u>	<u>386,318</u>	<u>-</u>	<u>20,671,102</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>24,750,775</u></b>	<b><u>502,212</u></b>	<b><u>-</u></b>	<b><u>25,252,987</u></b>	<b><u>23,481</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Pension Credits	66,002	8,395	-	74,397	-
<b>NET POSITION</b>					
Net Investment in Capital Assets	50,836,364	552,360	-	51,388,724	-
Unrestricted	22,123,386	508,357	100,000	22,731,743	-
<b>TOTAL NET POSITION</b>	<b><u>\$ 72,959,750</u></b>	<b><u>1,060,717</u></b>	<b><u>100,000</u></b>	<b><u>74,120,467</u></b>	<b><u>\$ -</u></b>

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, 2017

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 14,393,648	1,417,155	-	15,810,803	\$ 380,726
Water and Sewer Taps	368,035	-	-	368,035	-
System Development Charges	4,291	-	-	4,291	-
Other Operating Revenues	313,700	-	-	313,700	14,814
<b>TOTAL OPERATING REVENUES</b>	<b>15,079,674</b>	<b>1,417,155</b>	<b>-</b>	<b>16,496,829</b>	<b>395,540</b>
<b>OPERATING EXPENSES</b>					
Administrative	3,467,535	-	-	3,467,535	-
Operations Support	1,973,123	-	-	1,973,123	-
Water Treatment and Distribution	3,142,272	-	-	3,142,272	-
Waste Collection and Treatment	2,208,196	1,329,165	-	3,537,361	-
Water and Sewer Construction	597,052	-	-	597,052	-
Risk Management and Employee Benefits	-	-	-	-	439,379
Depreciation	6,438,566	124,171	-	6,562,737	-
<b>TOTAL OPERATING EXPENSES</b>	<b>17,826,744</b>	<b>1,453,336</b>	<b>-</b>	<b>19,280,080</b>	<b>439,379</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,747,070)</b>	<b>(36,181)</b>	<b>-</b>	<b>(2,783,251)</b>	<b>(43,839)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Grant Revenue	106,520	-	-	106,520	-
Interest Earned on Investments	81,814	3,695	-	85,509	-
Interest on Long-Term Obligations	(539,944)	(3,445)	-	(543,389)	-
Gain (Loss) on Sale of Capital Assets	6,224	-	-	6,224	-
Other	66,105	29,360	-	95,465	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(279,281)</b>	<b>29,610</b>	<b>-</b>	<b>(249,671)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(3,026,351)</b>	<b>(6,571)</b>	<b>-</b>	<b>(3,032,922)</b>	<b>(43,839)</b>
Capital Contributions	566,044	7,405	-	573,449	-
Transfers In	-	-	100,000	100,000	-
Transfers Out	(26,474)	(100,000)	-	(126,474)	-
<b>CHANGE IN NET POSITION</b>	<b>(2,486,781)</b>	<b>(99,166)</b>	<b>100,000</b>	<b>(2,485,947)</b>	<b>(43,839)</b>
NET POSITION, Beginning of Year	75,446,531	1,159,883	-	76,606,414	43,839
<b>NET POSITION, End of Year</b>	<b>\$ 72,959,750</b>	<b>1,060,717</b>	<b>100,000</b>	<b>74,120,467</b>	<b>\$ -</b>

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, 2017

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	NONMAJOR STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 14,985,200	1,405,800	-	16,391,000	\$ 398,294
Payments to Suppliers for Goods and Services	(6,327,831)	(761,508)	-	(7,089,339)	(432,328)
Payments for Personal Services	(4,126,266)	(536,853)	-	(4,663,119)	-
Other Receipts (Payments)	66,105	29,360	-	95,465	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>4,597,208</u>	<u>136,799</u>	<u>-</u>	<u>4,734,007</u>	<u>(34,034)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
State and Federal Grants	125,826	8,000	-	133,826	-
Transfers to Other Funds	(25,474)	(101,000)	-	(126,474)	-
Transfers from Other Funds	-	-	100,000	100,000	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>100,352</u>	<u>(93,000)</u>	<u>100,000</u>	<u>107,352</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(3,351,273)	(3,729)	-	(3,355,002)	-
Proceeds on Sale of Capital Assets	23,863	-	-	23,863	-
Bond and Revolving Fund Loan Principal Payments	(3,175,149)	(30,135)	-	(3,205,284)	-
Bond and Revolving Fund Loan Interest Payments	(567,476)	(3,493)	-	(570,969)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,070,035)</u>	<u>(37,357)</u>	<u>-</u>	<u>(7,107,392)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment Earnings	74,033	2,771	-	76,804	-
Short Term Investments, Net	1,379,504	17,462	-	1,396,966	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,453,537</u>	<u>20,233</u>	<u>-</u>	<u>1,473,770</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(918,938)</b>	<b>26,675</b>	<b>100,000</b>	<b>(792,263)</b>	<b>(34,034)</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	4,795,702	246,271	-	5,041,973	57,515
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 3,876,764</b>	<b>272,946</b>	<b>100,000</b>	<b>4,249,710</b>	<b>\$ 23,481</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Operating Loss	\$ (2,747,070)	(36,181)	-	(2,783,251)	\$ (43,839)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:					
Depreciation Expense	6,438,566	124,171	-	6,562,737	-
Other Nonoperating Revenue	66,105	29,360	-	95,465	-
Change in Accounts Representing Operating Activities:					
Accounts Receivable	(59,934)	(21,008)	-	(80,942)	1,500
Shared Taxes Receivable	-	(26)	-	(26)	-
Refundable Taxes Receivable	125,200	9,679	-	134,879	1,254
Prepays and Inventory	26,288	(774)	-	25,514	-
Accounts Payable	619,636	(3,116)	-	616,520	7,051
Accrued Salaries and Benefits	87,317	17,998	-	105,315	-
Customer Deposits	(159,740)	-	-	(159,740)	-
Other Post Employment Benefits	19,328	3,396	-	22,724	-
Compensated Absences	63,770	(880)	-	62,890	-
Net Pension Liability	1,145,011	142,617	-	1,287,628	-
Deferred Pension Charges	(951,942)	(117,287)	-	(1,069,229)	-
Deferred Pension Credits	(75,327)	(11,150)	-	(86,477)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 4,597,208</u>	<u>136,799</u>	<u>-</u>	<u>4,734,007</u>	<u>\$ (34,034)</u>
Noncash Items					
Capital Contributions	\$ 566,044	7,405	-	573,449	\$ -
Depreciation Expense	\$ 6,438,566	124,171	-	6,562,737	\$ -

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, 2017

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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 30<sup>th</sup> 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, 2017

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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, 2017

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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, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 *Drug Addiction Resistance Education Fund, a non-major fund*, was established to administer restricted funds for educational programs on drug addiction. 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 *Fire Department Car Seat Fund, a non-major fund*, was established to administer funds received that are restricted for fire department car seat education 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 *Governor's Crime Commission Grant 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 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 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Berkeley Mills Ballpark Historic Nomination Grant Fund, a non-major fund*, was established to administer grants related to the historic Berkeley Mills Park. This fund adopts a multi-year project budget.

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

The *Fire Engine Replacement Project Fund, a non-major fund*, was established to account for the purchase of a fire truck for the City. The truck was purchased in 2017. 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 *North Oak Street Widening Project Fund, a non-major fund*, was established to account for the widening road costs associated with North Oak Street. 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, 2017

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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 implemented GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68" ("GASB #73") for the year ended June 30, 2017. The primary objective of GASB #73 is to improve accounting and financial reporting by state and local governments for pensions who did not meet the requirements of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" ("GASB #68"). It is GASB's intention that GASB #68 and GASB #73 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 #73 required the City to recognize a total pension liability (and related deferred outflows of resources) for its participation in the Law Enforcement Officers Special Separation Allowance ("LEOSSA"). The pension balances related to the LEOSSA have been recognized by the City on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement on Net Position) and required the City to present more extensive note disclosures.

The adoption of GASB #73 had no impact on the City's governmental fund or proprietary fund financial statements. However, the adoption has resulted in the restatement of the City's beginning net position for the year ended June 30, 2017 for its government-wide financial statements to reflect the reporting of a net pension liability and deferred outflows of resources for its LEOSSA in accordance with the provisions of GASB #73. Beginning net position of the City's governmental activities for the year ended June 30, 2017 was decreased by approximately \$485,000 reflecting the cumulative change in accounting principle related to the adoption of GASB #73. See Note IV.B for more information regarding the City's LEOSSA pension disclosures.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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**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, 2017

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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	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, 2017

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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. The City currently has only one type of deferred outflows of resources - *deferred pension charges*. *Deferred pension charges* are recorded 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 LEOSSA. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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)*

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 three 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 also 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. (3) 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.

**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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

**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.

**Debt Service** – portion of fund balance that is assigned for future debt service payments.

**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.

12. Pensions

In government-wide and Proprietary Fund financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability (asset) for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**12. Pensions (Continued)**

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability 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 expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

**13. Other Postemployment Benefits**

Other postemployment benefits (“OPEB”) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see 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 OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is generally equal to the annual required contributions to the OPEB Plan plus adjustments calculated in accordance with GAAP.

**14. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**14. Fair Value (Continued)**

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.

**15. 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.

**16. 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.

**17. 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 30<sup>th</sup>), all departments/activities of the City submit requests for appropriation to the Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In May of each year, the proposed budget is presented to City Council for review (legally required to be submitted by June 1<sup>st</sup>). The City adopts the budget ordinance by July 1<sup>st</sup> of each year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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, 2017, the City's deposits had a carrying amount of approximately \$6,367,000 and a bank balance of approximately \$5,884,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

At June 30, 2017, the ABC Board's deposits had a carrying amount of approximately \$934,000 and a bank balance of approximately \$898,000. 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, 2017

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

A. Deposits and Investments (Continued)

*Investments*

As of June 30, 2017, the City had the following investments:

Investment Type	Fair Value Level <sup>(1)</sup>	Credit Rating <sup>^</sup>	Fair Value	Investment Maturities in Years		
				< 1 yr	1 - 3 yrs	3 - 5 yrs
US Securities	Level 1	AA+/Aaa	\$ 998,660	998,660	-	\$ -
Agency Securities	Level 2	AA+/Aaa	16,248,742	4,754,509	11,494,233	-
NC Local Governments	Level 2	AAA/Aa2	3,681,738	307,583	2,623,616	750,539
Commercial Paper	Level 2	A+	2,068,604	2,068,604	-	-
NCCMT - Government Portfolio	Amortized Cost	AAAm	931,094	931,094	-	-
Total			<u>\$ 23,928,838</u>	<u>9,060,450</u>	<u>14,117,849</u>	<u>\$ 750,539</u>

<sup>^</sup> If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

<sup>(1)</sup> See Note I.C.14 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 Home Loan Bank (19.8%), Federal Home Loan Mortgage (22.2%), Federal National Mortgage Association (21.7%), Commercial Paper (8.6%), and with Gaston County (10.8%).

Certain cash, cash equivalents and investments of the City of approximately \$1,008,000 are legally restricted for specified purposes. The major types of restrictions at June 30, 2017 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, 2017

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	\$ 6,366,669
Fair Value of Investments	23,928,838
Total Deposits and Investments	<u>\$ 30,295,507</u>
Statement of Net Position:	
Pooled Cash and Cash Equivalents	\$ 6,289,208
Pooled Cash and Cash Equivalents, Restricted	1,007,676
Pooled Investments	22,998,623
Total Cash and Investments	<u>\$ 30,295,507</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 1<sup>st</sup>. The City does not provide for discounts for taxes paid prior to the due date.

Gross property taxes receivable of approximately \$426,000 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 2017 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2016, were levied in July 2016 based on a rate of .460 (same as 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 2016 was approximately \$1.7 billion, \$86.0 million, and \$16.4 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 and environmental service 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, 2017

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, 2017, 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 Revenues - Property Taxes	General	\$ 275,551	-	-	\$ 275,551
Prepaid - Taxes	General/Special Revenue	-	4,493	-	4,493
Prepaid - Billings	General	-	150	-	150
Unearned Revenues	Special Revenue	-	-	12,322	12,322
Total		<u>\$ 275,551</u>	<u>4,643</u>	<u>12,322</u>	<u>\$ 292,516</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, 2017 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, 2017, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<b>Major Governmental Funds:</b>		
General Fund	\$ 68,739	\$ -
<b>Non-Major Governmental Funds:</b>		
Special Revenue Funds	-	1,159
Capital Projects Funds	-	67,580
Totals	<u>\$ 68,739</u>	<u>\$ 68,739</u>

For the year ended June 30, 2017, the City had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
<b>Major Governmental Funds:</b>		
General Fund	\$ 488	\$ 699,241
<b>Non-Major Governmental Funds:</b>		
Special Revenue Funds	2,820	594
Capital Projects Funds	90,867	1,589
Debt Service Fund	633,723	-
<b>Major Enterprise Funds:</b>		
Water/Sewer Fund	-	26,474
<b>Non-Major Enterprise Funds:</b>		
Environmental Service Fund	-	100,000
Stormwater Fund	100,000	-
Totals	<u>\$ 827,898</u>	<u>\$ 827,898</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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 \$8,000 to the North Oak Street Widening Project Capital Projects Fund and approximately \$19,000 to the Highway 64 Sidewalk Improvement Project Capital Projects Fund to fund water infrastructure improvements.

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 4,158,275	39,754	-	-	\$ 4,198,029
Construction In Progress	1,379,754	835,183	-	(1,891,715)	323,222
Total Capital Assets, Non-Depreciable	<u>5,538,029</u>	<u>874,937</u>	<u>-</u>	<u>(1,891,715)</u>	<u>4,521,251</u>
Capital Assets, Depreciable:					
Buildings and Improvements	12,572,038	15,720	-	-	12,587,758
Other Improvements	3,769,968	54,251	19,728	1,214,575	5,019,066
Machinery and Equipment	6,431,967	1,242,056	130,160	-	7,543,863
Software	339,418	74,500	-	-	413,918
Infrastructure	16,043,443	37,118	-	677,140	16,757,701
Total Capital Assets, Depreciable	<u>39,156,834</u>	<u>1,423,645</u>	<u>149,888</u>	<u>1,891,715</u>	<u>42,322,306</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,297,949	237,783	-	-	4,535,732
Other Improvements	2,961,117	242,196	19,728	-	3,183,585
Machinery and Equipment	4,288,048	452,729	109,326	-	4,631,451
Software	288,857	30,869	-	-	319,726
Infrastructure	6,666,373	492,196	-	-	7,158,569
Total Accumulated Depreciation	<u>18,502,344</u>	<u>1,455,773</u>	<u>129,054</u>	<u>-</u>	<u>19,829,063</u>
Total Capital Assets, Depreciable, Net	<u>20,654,490</u>	<u>(32,128)</u>	<u>20,834</u>	<u>1,891,715</u>	<u>22,493,243</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,192,519</u>	<u>842,809</u>	<u>20,834</u>	<u>-</u>	<u>\$ 27,014,494</u>

Ongoing construction in progress in the City’s governmental activities primarily relates to the North Main Street Sidewalks project and the Old Tracey Grove Road bridge replacement project.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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	\$ 135,582	\$ 207,476
Public Safety	1,119,337	431,179
Transportation	1,024,685	615,065
Economic and Physical Development	10,177	20,098
Culture and Recreation	8,801	181,955
Total - Governmental Activities	<u>\$ 2,298,582</u>	<u>\$ 1,455,773</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 2,139,194	202,039	-	-	\$ 2,341,233
Construction In Progress	444,471	979,105	-	-	1,423,576
Total Capital Assets, Non-Depreciable	<u>2,583,665</u>	<u>1,181,144</u>	<u>-</u>	<u>-</u>	<u>3,764,809</u>
Capital Assets, Depreciable:					
Buildings	1,470,554	16,942	-	-	1,487,496
Plant and Distributions Systems	98,091,344	1,977,519	-	-	100,068,863
Machinery and Equipment	17,953,744	715,407	47,766	-	18,621,385
Other Improvements	-	19,034	-	-	19,034
Software	139,640	11,000	-	-	150,640
Total Capital Assets, Depreciable	<u>117,655,282</u>	<u>2,739,902</u>	<u>47,766</u>	<u>-</u>	<u>120,347,418</u>
Less: Accumulated Depreciation for:					
Buildings	623,166	49,623	-	-	672,789
Plant and Distributions Systems	32,743,014	2,467,965	-	-	35,210,979
Machinery and Equipment	11,720,074	4,020,682	37,533	-	15,703,223
Other Improvements	-	159	-	-	159
Software	54,675	24,308	-	-	78,983
Total Accumulated Depreciation	<u>45,140,929</u>	<u>6,562,737</u>	<u>37,533</u>	<u>-</u>	<u>51,666,133</u>
Total Capital Assets, Depreciable, Net	<u>72,514,353</u>	<u>(3,822,835)</u>	<u>10,233</u>	<u>-</u>	<u>68,681,285</u>
Business-Type Activities Capital Assets, Net	<u>\$ 75,098,018</u>	<u>(2,641,691)</u>	<u>10,233</u>	<u>-</u>	<u>\$ 72,446,094</u>

Ongoing construction in progress in the City's business-type activities represents costs related primarily to water and sewer projects.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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	\$ 3,917,317	\$ 6,438,566
Environmental Services	3,729	124,171
Total - Business-Type Activities	<u>\$ 3,921,046</u>	<u>\$ 6,562,737</u>

Capital asset activity for the ABC Board for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>ABC Board (Component Unit)</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 640,091	-	-	\$ 640,091
Capital Assets, Depreciable:				
Buildings	1,053,192	-	-	1,053,192
Real Estate Improvements	227,899	97,047	-	324,946
Furniture and Equipment	249,586	3,932	-	253,518
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	125,186	14,578	-	139,764
Total Capital Assets, Depreciable	<u>1,682,509</u>	<u>115,557</u>	<u>-</u>	<u>1,798,066</u>
Less: Accumulated Depreciation for:				
Buildings	415,532	21,588	-	437,120
Real Estate Improvements	104,630	9,866	-	114,496
Furniture and Equipment	187,537	18,834	-	206,371
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	83,442	14,767	-	98,209
Total Accumulated Depreciation	<u>817,787</u>	<u>65,055</u>	<u>-</u>	<u>882,842</u>
Total Capital Assets, Depreciable, Net	<u>864,722</u>	<u>50,502</u>	<u>-</u>	<u>915,224</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,504,813</u>	<u>50,502</u>	<u>-</u>	<u>\$ 1,555,315</u>

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

Capital Asset Additions	Depreciation Expense
<u>\$ 115,557</u>	<u>\$ 65,055</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017 are as follows:

	<u>Balance at June 30, 2017</u>
<b><i>General Obligation Bonds</i></b>	
\$1,800,000 Sidewalk Improvement Bonds (general obligation bonds) issued in May 1998 (“GOB – May 1998”), due in annual installments of \$90,000 beginning on May 1, 1999 through May 1, 2018, plus interest from 4.75% to 5.00% due semi-annually. The proceeds from this issue were primarily used for sidewalk improvements.	\$ 90,000
\$2,100,000 General Obligation Sidewalk Bonds (general obligation bonds) issued in March 2008 (“GOB – March 2008”), due in annual installments of \$50,000 to \$150,000 beginning on March 1, 2010 through March 1, 2027, plus interest from 3.50% to 4.30% due semi-annually. The proceeds from this issue were primarily used for sidewalk improvements.	1,400,000
<b><i>State Revolving Loans</i></b>	
\$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.	3,312,500
\$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.	400,247
\$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.	1,633,500
\$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.	3,906,540
\$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.	\$2,506,465

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

E. Long-Term Obligations (Continued)

	<u>Balance at June 30, 2017</u>
<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.	\$ 350,001
\$10,000,000 Installment Purchase Contract with BB&T issued in September 2007 (“IPC – September 2007”), due in semi-annual installments of \$413,620 to \$596,979 beginning on March 19, 2008 through September 19, 2017, plus interest at 3.90% due semi-annually. The proceeds of this issue were used to renovate the City’s water treatment plant.	596,979
\$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.	8,538,532
\$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.	4,800,000
\$242,500 Installment Purchase Contract with BB&T issued in September 2014 (“IPC – September 2014”), due in semi-annual installments of \$47,189 to \$49,271 beginning July 1, 2015 through July 1, 2017, plus interest at 1.219% due semi-annually. The proceeds of this issue were used to purchase two dump trucks, a zoning vehicle, and other equipment.	49,270
\$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.	218,630
\$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.	\$ 655,000

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, 2017.

The City implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension” in 2009. This statement established standards for the measurement, recognition and display of Other Post-Employment Benefits (“OPEB”) costs and related liabilities (assets), 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 net OPEB obligation (which is shown in the long-term obligation rollforward), see “Note IV.C Post-Employment Benefits Other Than Pensions” for more details.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

E. Long-Term Obligations (Continued)

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, net 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 net 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.

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2017:

Long-Term Obligations	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
General Obligation Bonds:					
GOB - May 1998	\$ 180,000	-	90,000	90,000	\$ 90,000
GOB – March 2008	1,500,000	-	100,000	1,400,000	100,000
Total General Obligation Bonds	1,680,000	-	190,000	1,490,000	190,000
Installment Purchase Contracts:					
IPC - August 2003	583,334	-	233,333	350,001	233,333
IPC - April 2013	5,100,000	-	300,000	4,800,000	300,000
IPC - September 2014	146,924	-	97,654	49,270	49,270
IPC - September 2015	67,169	-	11,146	56,023	11,361
IPC - June 2017	-	655,000	-	655,000	44,031
Total Installment Purchase Contracts	5,897,427	655,000	642,133	5,910,294	637,995
Total Debt	7,577,427	655,000	832,133	7,400,294	827,995
Compensated Absences	620,703	370,835	295,211	696,327	348,164
Net OPEB Obligation	566,939	128,719	95,025	600,633	-
Net Pension Liability - LGERS	484,533	1,617,975	-	2,102,508	-
Total Pension Liability - LEOSSA	869,979	10,705	-	880,684	-
Total Governmental Activities	\$ 10,119,581	2,783,234	1,222,369	11,680,446	\$ 1,176,159

\* The Total Pension Liability balance for the LEOSSA has been restated due to the implementation of GASB #73.

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.



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
State Revolving Loans:					
SRF - March 1996	\$ 100,880	-	100,880	-	\$ -
SRF - November 2001	3,975,000	-	662,500	3,312,500	662,500
SRF - May 2011	428,836	-	28,589	400,247	28,589
SRF - June 2015	1,724,250	-	90,750	1,633,500	90,750
SRF - July 2015	4,123,570	-	217,030	3,906,540	217,030
SRF - March 2016	2,645,713	-	139,248	2,506,465	139,248
Total Special Obligation Bonds	<u>12,998,249</u>	<u>-</u>	<u>1,238,997</u>	<u>11,759,252</u>	<u>1,138,117</u>
Installment Purchase Contracts:					
IPC - September 2007	1,756,901	-	1,159,922	596,979	596,979
IPC - April 2012	9,314,762	-	776,230	8,538,532	776,230
IPC - September 2015	192,742	-	30,135	162,607	30,715
Total Installment Purchase Contracts	<u>11,264,405</u>	<u>-</u>	<u>1,966,287</u>	<u>9,298,118</u>	<u>1,403,924</u>
Total Debt	24,262,654	-	3,205,284	21,057,370	2,542,041
Compensated Absences	244,208	210,281	147,391	307,098	153,549
Net OPEB Obligation	382,354	86,810	64,086	405,078	-
Net Pension Liability - LGERS	309,518	1,287,628	-	1,597,146	-
Total Business-Type Activities	<u>\$ 25,198,734</u>	<u>1,584,719</u>	<u>3,416,761</u>	<u>23,366,692</u>	<u>\$ 2,695,590</u>

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, 2017:

Year Ended June 30,	General Obligation Bonds		Installment Purchase Contracts		Total
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2018	\$ 190,000	61,850	637,995	186,460	\$ 1,076,305
2019	150,000	53,350	465,137	172,913	841,400
2020	150,000	47,350	349,628	158,853	705,831
2021	150,000	41,350	350,781	147,231	689,362
2022	150,000	35,350	349,028	135,564	669,942
2023-2027	700,000	84,502	1,714,521	503,951	3,002,974
2028-2032	-	-	1,743,204	213,518	1,956,722
2033	-	-	300,000	7,853	307,853
Totals	<u>\$ 1,490,000</u>	<u>323,752</u>	<u>5,910,294</u>	<u>1,526,343</u>	<u>\$ 9,250,389</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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	
<b>Business-Type Activities</b>					
2018	\$ 1,138,117	267,250	1,403,924	206,763	\$ 3,016,054
2019	1,138,117	238,322	807,537	176,225	2,360,201
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	812,387	119,619	2,221,660
2023-2027	2,378,086	516,546	3,881,151	320,349	7,096,132
2028-2032	2,349,496	275,307	776,230	9,153	3,410,186
2033-2035	1,341,085	53,643	-	-	1,394,728
Totals	\$ 11,759,252	1,892,463	9,298,118	1,127,825	\$ 24,077,658

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; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$2 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, 2017

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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](http://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, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.33% 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 \$784,000 and \$630,000 for the year ended June 30, 2017, 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, 2017, the City reported a liability of approximately \$3,700,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.17432%, which was a decrease of 0.00261% from its proportion of 0.17693% measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of approximately \$1,069,000. At June 30, 2017, 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	\$ 69,510	\$ 129,640
Changes in Assumptions	253,393	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,045,443	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	224,818	42,694
City Contributions Subsequent to the Measurement Date	783,926	-
	<u>\$ 3,377,090</u>	<u>\$ 172,334</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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 \$784,000 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, 2018. 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>
2018	\$ 409,838
2019	410,075
2020	1,022,761
2021	578,156
Total	<u>\$ 2,420,830</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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, 2017

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, 2016 (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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,781,006	3,699,654	\$ (544,668)

*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, 2017

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, 2016, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	3
Active Plan Members	40
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, 2015 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, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount Rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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, 2017

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 \$47,000 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, 2017, the City reported a total pension liability of \$881,000. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of approximately \$77,000.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions and Other Inputs	\$ -	\$ 18,220
City Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date	21,883	-
Total	<u>\$ 21,883</u>	<u>\$ 18,220</u>

Approximately \$22,000 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ (3,368)
2019	(3,368)
2020	(3,368)
2021	(3,368)
2022	(3,368)
Thereafter	(1,380)
Total	<u>\$ (18,220)</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	\$ 957,672	\$ 880,684	\$ 810,696

*Schedule of Changes in Total Pension Liability*

Total Pension Liability as of December 31, 2015	\$ 869,979
Changes for the Year:	
Service Cost at End of Year	49,449
Interest on the Total Pension Liability	30,213
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions and Other Inputs	(21,588)
Benefit Payments	(47,369)
Other Changes	-
Net Changes	<u>10,705</u>
Total Pension Liability as of December 31, 2016	<u>\$ 880,684</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, 2017 were \$152,000 which consisted of \$104,000 from the City and \$48,000 from the law enforcement officers.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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](http://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 \$13,900,000 to the plan. The City's proportionate share of the State's contribution was approximately \$6,000. 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, 2017

IV. OTHER INFORMATION (CONTINUED)

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

As of December 31, 2015, the date of the most recent actuarial valuation, there are fifty (53) employees eligible for the death benefit with the total liability equal to \$265,000. The City paid out \$5,000 for the year ended June 30, 2017. The actuarial information presented below covers both the healthcare and the death benefit liability.

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation.

	General Employees	Law Enforcement	Total
Retirees and Dependents Receiving Benefits	50	3	53
Active Plan Members	175	41	216
Totals	225	44	269

*Funding Policy*

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees (\$774 per month). The City's retirees pay \$694 per month for one dependent or \$1,468 per month for family coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (“ARC”) rate is 2.34% of annual covered payroll. For the current year, the City contributed approximately \$159,000 or 1.74% 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.

*Summary of Significant Accounting Policies*

Post-employment expenditures/expenses are made from the General Fund, the Water and Sewer Fund, and the Environmental Service Fund, which are maintained on the modified accrual or accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*HealthCare Benefit Plan (Continued)*

*Actuarial Methods and Assumptions*

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was thirty (30) years.

*Annual OPEB Costs and Rollforward of Net OPEB Obligation*

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB expense and the progression of the net OPEB obligation for the HCB Plan for the current year were as follows:

1. Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ 949,293
2. One Year's Interest on the Net OPEB Obligation	37,972
3. ARC (Normal Cost Plus Any Amortization Payments)	213,832
4. Adjustment to Annual Required Contribution	(36,275)
5. Annual OPEB Cost: (2)+(3)+(4)	215,529
6. Contributions Made for the Plan Year	(159,111)
7. Increase (Decrease) in Net OPEB Obligation (Asset): (5)+(6)	56,418
8. Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	\$ 1,005,711

*Schedule of Employer Contributions*

The City did not make any contributions in the current year to the HCB Plan to pre-fund benefits but did make pay-as-you-go payments of approximately \$159,000 of covered premiums and participants' benefits.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*HealthCare Benefit Plan (Continued)*

*Schedule of Employer Contributions (Continued)*

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the HCB Plan and the net OPEB obligation were as follows:

Schedule of Employer Contributions						
Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Cost Contributed	Net OPEB Obligation (Asset)		
June 30, 2015	\$ 147,607	\$ 147,607	100.00%	\$ 875,874		
June 30, 2016	224,798	151,379	67.34%	949,293		
June 30, 2017	\$ 215,529	\$ 159,111	73.82%	\$ 1,005,711		

*Schedule of Funding Progress*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

This schedule will provide trend information about whether the actuarial values of HCB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the HCB Plan is as follows:

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage Of Covered Payroll ((b-a)/c)
December 31, 2011	\$ -	3,187,086	\$ 3,187,086	0.00%	\$ 8,846,414	36.03%
December 31, 2013	-	2,839,860	2,839,860	0.00%	8,830,095	32.16%
December 31, 2015	\$ -	2,560,561	\$ 2,560,561	0.00%	\$ 9,149,934	27.98%

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

*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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*Death Benefit Plan (Continued)*

Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. 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, 2017.

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 \$6,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of approximately \$46,000 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, 2017. 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. 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	\$ 7,648,008
Less:	
Prepaid Items	(39,699)
Land Held for Sale/Redevelopment	(434,566)
Stabilization by State Statute	(1,830,006)
Appropriated Fund Balance for 2018 Budget	(1,017,696)
Remaining Fund Balance - General Fund	<u>\$ 4,326,041</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.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. 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.

**H. Deficit Balance in Non-Major Fund**

The Capital Projects - Mud Creek Dump Project Fund had a deficit fund balance of approximately \$86,000 at June 30, 2017. 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.

**I. Pending Implementation of GASB Statement on OPEB**

GASB Statement No. 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”* (“Statement”), which was issued by the Governmental Accounting Standards Board (“GASB”) in June 2015, is required to be implemented by the City 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 OPEB. It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net OPEB liability of that plan. It is GASB’s intention that this new Statement 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, this Statement will require the City to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its 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. It is anticipated that its implementation will not have a significant impact on the City’s governmental funds.

The City has been in communications with its actuary on the effect of implementing this Statement. Based on recent information provided by the actuary, it is anticipated that the City’s net OPEB liability for its OPEB plan will decrease its governmental and business-type activities beginning net position for the year ended June 30, 2018 by approximately \$1,555,000.

**J. Subsequent Events**

In July 2017, the City awarded a bid for approximately \$357,000 to Tarheel Paving for the 2017 resurfacing project.

In July 2017, the City awarded a bid for approximately \$1,809,000 to Wharton-Smith for the Water Treatment Plant High Service Pump Replacement project.

In July 2017, the City accepted the State Revolving Loan offer of approximately \$2,982,000 (at 0% interest) for the Multi-area Streambank Restoration project as required by the North Carolina Department of Environmental Quality.

In October 2017, the City advanced refunded the Series 2008 General Obligation Bonds with Series 2017 General Obligation Refunding Bonds in the amount of \$1,352,000, with an interest rate of 2.02%, maturing in 2027. This advanced refunding is expected to save the City approximately \$90,000 over the life of the new bonds.





**Required  
Supplementary  
Information**



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

**YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
12/31/2005	\$ -	2,956,534	\$ 2,956,534	0%	\$ 6,499,084	45.49%
12/31/2007	-	4,559,164	4,559,164	0%	7,446,974	61.22%
12/31/2009	-	3,641,577	3,641,577	0%	8,593,288	42.38%
12/31/2011	-	3,187,086	3,187,086	0%	8,846,414	36.03%
12/31/2013	-	2,839,860	2,839,860	0%	8,830,095	32.16%
12/31/2015	\$ -	2,560,561	\$ 2,560,561	0%	\$ 9,149,934	27.98%

Note: The AAL was calculated based on the Projected Unit Credit Cost Method.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**YEAR ENDED JUNE 30, 2017**

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<u>Year Ended June 30th</u>	<u>Annual Required Contributions</u>	<u>Annual Contributed</u>	<u>Percentage Contributed</u>
2009	\$ 336,444	\$ 138,448	41.15%
2010	350,149	121,047	34.57%
2011	261,457	161,580	61.80%
2012	268,826	98,901	36.79%
2013	239,520	171,017	71.40%
2014	248,872	143,844	57.80%
2015	147,607	147,607	100.00%
2016	223,232	151,379	67.81%
2017	\$ 213,832	\$ 159,111	74.41%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED JUNE 30, 2017**

	<u>Year Ended June 30,</u> <u>2017</u>
Beginning Balance of the Total Pension Liability	\$ 869,979
Changes for the Year:	
Service Cost	49,449
Interest on Total Pension Liability	30,213
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	-
Changes of Assumptions or Other Inputs	(21,588)
Benefit Payments	(47,369)
Other Changes	-
Net Changes	<u>10,705</u>
Ending Balance of the Total Pension Liability	<u>\$ 880,684</u>

**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**

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

**YEAR ENDED JUNE 30, 2017**

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	<b>Year Ended June 30,</b>	
	<b>2017</b>	
Total Pension Liability	\$	880,684
Covered Payroll	\$	2,069,581
Total Pension Liability as a Percentage of Covered-Employee Payroll		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**

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

**LAST FOUR FISCAL YEARS**

	<b>Year Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.174320%	0.176930%	0.130250%	0.129000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,699,654	794,051	(768,146)	\$ 1,554,945
City's Covered-Employee Payroll	\$ 10,120,748	9,515,789	8,378,808	\$ 7,471,416
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.56%	8.34%	-9.17%	20.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.47%	98.09%	102.64%	94.35%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the preceding fiscal year.  
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**

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

**LAST FOUR FISCAL YEARS**

	<b>Year Ended June 30,</b>			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 783,926	691,249	679,268	\$ 598,874
Contributions in Relation to the Contractually Required Contribution:	783,926	691,249	679,268	598,874
Contribution Deficiency (Excess)	\$ -	-	-	\$ -
City's Covered-Employee Payroll	\$ 10,505,338	10,120,748	9,515,789	\$ 8,378,808
Contributions as a Percentage of Covered-Employee Payroll:	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.



# General Fund

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 7,798,595	7,936,152	\$ 137,557
Penalties and Interest	28,000	35,852	7,852
Total	<u>7,826,595</u>	<u>7,972,004</u>	<u>145,409</u>
Other taxes and licenses:			
Beer and Wine	1,800	2,545	745
Local Vehicle Rental Tax	12,800	9,655	(3,145)
Total	<u>14,600</u>	<u>12,200</u>	<u>(2,400)</u>
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	3,043,498	3,110,808	67,310
Payment in Lieu of Taxes (External Sources)	14,276	15,526	1,250
Utility Sales Tax	900,000	920,861	20,861
Telecommunications Sales Tax	265,000	231,960	(33,040)
Video Franchise Fee	116,000	115,368	(632)
Beer and Wine Tax	58,880	62,570	3,690
ABC Profit Distribution	107,257	160,564	53,307
Court Fees	5,800	3,935	(1,865)
Total	<u>4,510,711</u>	<u>4,621,592</u>	<u>110,881</u>
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	383,682	383,681	(1)
ABC Revenue for Law Enforcement	40,000	40,000	-
On-Behalf-Of-Payments - Fire and Rescue	-	56,246	56,246
School Resource Officer	37,839	37,838	(1)
HHA Officer Reimbursement	115,000	115,000	-
FEMA Fire Grant	-	13,504	13,504
Other Revenue	33,000	33,000	-
Total	<u>609,521</u>	<u>679,269</u>	<u>69,748</u>
Permits and Fees:			
Building Permits and Inspection Fees	128,375	105,234	(23,141)
Business Registration Fee	14,000	15,515	1,515
Special Project Fees	16,200	20,864	4,664
Stormwater Permits	-	2,000	2,000
Total	<u>\$ 158,575</u>	<u>143,613</u>	<u>\$ (14,962)</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES (CONTINUED)</b>			
Sales And Services:			
Facility Rent	\$ 57,000	63,352	\$ 6,352
Recreation Fees	135,250	168,173	32,923
Parking Fees	155,600	174,258	18,658
Cemetery Fees	13,000	16,000	3,000
Alarm Fees	1,800	1,175	(625)
Total	<u>362,650</u>	<u>422,958</u>	<u>60,308</u>
Investment Earnings	<u>83,000</u>	<u>40,245</u>	<u>(42,755)</u>
Miscellaneous Revenues:			
Parking Violations and Penalties	99,000	91,183	(7,817)
Miscellaneous	68,730	126,263	57,533
Total	<u>167,730</u>	<u>217,446</u>	<u>49,716</u>
<b>TOTAL REVENUES</b>	<b><u>13,733,382</u></b>	<b><u>14,109,327</u></b>	<b><u>375,945</u></b>
<b>EXPENDITURES</b>			
General Government:			
Governing Body:			
Salaries and Employee Benefits	27,438	27,586	(148)
Operating Expenditures	57,730	50,461	7,269
Special Appropriations	295,191	295,191	-
Total	<u>380,359</u>	<u>373,238</u>	<u>7,121</u>
Administration:			
Salaries and Employee Benefits	271,179	259,393	11,786
Operating Expenditures	193,902	185,275	8,627
Capital Outlay	489,119	28,866	460,253
Total	<u>954,200</u>	<u>473,534</u>	<u>480,666</u>
Finance:			
Salaries and Employee Benefits	282,234	255,995	26,239
Operating Expenditures	118,861	121,646	(2,785)
Total	<u>401,095</u>	<u>377,641</u>	<u>23,454</u>
City Engineer			
Salaries and Employee Benefits	166,716	136,636	30,080
Operating Expenditures	50,380	40,654	9,726
Total	<u>\$ 217,096</u>	<u>177,290</u>	<u>\$ 39,806</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Information Technology:			
Operating Expenditures	\$ 359,639	344,369	\$ 15,270
Capital Outlay	17,000	17,664	(664)
Total	<u>376,639</u>	<u>362,033</u>	<u>14,606</u>
Legal Department:			
Salaries and Employee Benefits	103,607	96,792	6,815
Operating Expenditures	18,995	15,167	3,828
Total	<u>122,602</u>	<u>111,959</u>	<u>10,643</u>
Fleet Maintenance:			
Salaries and Employee Benefits	242,561	245,449	(2,888)
Operating Expenditures	111,749	106,696	5,053
Capital Outlay	9,345	-	9,345
Total	<u>363,655</u>	<u>352,145</u>	<u>11,510</u>
Building Maintenance:			
Salaries and Employee Benefits	238,060	233,527	4,533
Operating Expenditures	400,727	428,395	(27,668)
Capital Outlay	118,000	73,162	44,838
Total	<u>756,787</u>	<u>735,084</u>	<u>21,703</u>
Total General Government	<u>3,572,433</u>	<u>2,962,924</u>	<u>609,509</u>
Public Safety:			
Police			
Salaries and Employee Benefits	3,811,946	3,751,217	60,729
Operating Expenditures	550,982	534,625	16,357
Capital Outlay	359,539	359,067	472
Total	<u>4,722,467</u>	<u>4,644,909</u>	<u>77,558</u>
Fire			
Salaries and Employee Benefits	1,889,209	1,890,076	(867)
Operating Expenditures	462,350	416,969	45,381
Capital Outlay	102,358	93,470	8,888
On-behalf Payments - Firefighter's Relief Fund	5,000	56,246	(51,246)
Total	<u>\$ 2,458,917</u>	<u>2,456,761</u>	<u>\$ 2,156</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Development Assistance:			
Salaries and Employee Benefits	\$ 354,470	322,019	\$ 32,451
Operating Expenditures	115,767	46,697	69,070
Total	<u>470,237</u>	<u>368,716</u>	<u>101,521</u>
Total Public Safety	<u>7,651,621</u>	<u>7,470,386</u>	<u>181,235</u>
Transportation			
Public Works Administration:			
Salaries and Employee Benefits	268,987	269,370	(383)
Operating Expenditures	73,443	43,611	29,832
Capital Outlay	27,500	21,500	6,000
Total	<u>369,930</u>	<u>334,481</u>	<u>35,449</u>
Streets and Highways:			
Salaries and Employee Benefits	367,856	346,316	21,540
Operating Expenditures	328,147	267,829	60,318
Capital Outlay	135,885	130,885	5,000
Total	<u>831,888</u>	<u>745,030</u>	<u>86,858</u>
State Street Aid Allocation:			
Operating Expenditures	<u>476,280</u>	<u>475,629</u>	<u>651</u>
Traffic Engineering:			
Salaries and Employee Benefits	139,389	143,217	(3,828)
Operating Expenditures	288,720	264,688	24,032
Capital Outlay	133	-	133
Total	<u>428,242</u>	<u>407,905</u>	<u>20,337</u>
Total Transportation	<u>2,106,340</u>	<u>1,963,045</u>	<u>143,295</u>
Culture and Recreation:			
Grounds Maintenance:			
Salaries and Employee Benefits	410,710	417,773	(7,063)
Operating Expenditures	137,752	130,689	7,063
Capital Outlay	8,802	8,801	1
Total	<u>\$ 557,264</u>	<u>557,263</u>	<u>\$ 1</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Patton Park Pool:			
Salaries and Employee Benefits	\$ 144,733	143,575	\$ 1,158
Operating Expenditures	111,900	99,599	12,301
Capital Outlay	17,000	-	17,000
Total	<u>273,633</u>	<u>243,174</u>	<u>30,459</u>
Total Culture and Recreation	<u>830,897</u>	<u>800,437</u>	<u>30,460</u>
<b>TOTAL EXPENDITURES</b>	<b><u>14,161,291</u></b>	<b><u>13,196,792</u></b>	<b><u>964,499</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(427,909)</u></b>	<b><u>912,535</u></b>	<b><u>1,340,444</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Proceeds	29,702	43,855	14,153
Sale of Capital Assets	-	8,972	8,972
Transfers In	-	488	488
Transfers Out	(704,266)	(699,241)	5,025
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(674,564)</u></b>	<b><u>(645,926)</u></b>	<b><u>28,638</u></b>
Fund Balance Appropriated	<u>1,102,473</u>		<u>(1,102,473)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ -</u></b>	<b><u>266,609</u></b>	<b><u>\$ 266,609</u></b>
FUND BALANCE, Beginning of Year		<u>7,381,399</u>	
<b>FUND BALANCE, End of Year</b>		<b><u>\$ 7,648,008</u></b>	

# **Non-Major Governmental Funds**

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## **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular 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, 2017

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 188,767	-	505,114	\$ 693,881
Pooled Cash and Cash Equivalents, Restricted	132,451	875,225	-	1,007,676
Receivables, Net				
Interest	670	-	-	670
Taxes	15,366	-	-	15,366
Grants	1,159	108,407	-	109,566
Shared Taxes	748	-	-	748
Refundable Taxes	1,369	-	-	1,369
Prepays and Inventories	12,680	-	-	12,680
<b>TOTAL ASSETS</b>	<b>\$ 353,210</b>	<b>983,632</b>	<b>505,114</b>	<b>\$ 1,841,956</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 9,663	124,530	-	\$ 134,193
Due to Other Funds	1,159	67,580	-	68,739
Unearned Revenues	12,322	-	-	12,322
<b>TOTAL LIABILITIES</b>	<b>23,144</b>	<b>192,110</b>	<b>-</b>	<b>215,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	15,366	-	-	15,366
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid and Inventories	12,680	-	-	12,680
Restricted For:				
Stabilization by State Statute	3,946	108,407	-	112,353
General Government	3,689	-	-	3,689
Economic Development	173,511	-	-	173,511
Public Safety	43,673	-	-	43,673
Cultural and Recreational	4,687	-	-	4,687
Transportation	-	877,277	-	877,277
Committed - Organic Garden	3,230	-	-	3,230
Assigned For:				
Subsequent Year's Expenditures	80,250	-	358,770	439,020
Debt Service	-	-	146,344	146,344
Unassigned	(10,966)	(194,162)	-	(205,128)
<b>TOTAL FUND BALANCES</b>	<b>314,700</b>	<b>791,522</b>	<b>505,114</b>	<b>1,611,336</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 353,210</b>	<b>983,632</b>	<b>505,114</b>	<b>\$ 1,841,956</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2017

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	DRUG ADDICTION RESISTANCE EDUCATION FUND	YOUTH EXPLORERS FUND
<b>ASSETS</b>									
Pooled Cash and Cash Equivalents	\$ 121,923	66,844	-	-	-	-	-	-	-
Pooled Cash and Cash Equivalents, Restricted	-	-	-	1,944	18,689	2,526	10,292	-	2,853
Receivables, Net									
Interest	450	220	-	-	-	-	-	-	-
Taxes	14,358	1,008	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Shared Taxes	567	181	-	-	-	-	-	-	-
Refundable Taxes	1,369	-	-	-	-	-	-	-	-
Prepays and Inventories	2,873	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 141,540</b>	<b>68,253</b>	<b>-</b>	<b>1,944</b>	<b>18,689</b>	<b>2,526</b>	<b>10,292</b>	<b>-</b>	<b>2,853</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts Payable	\$ 7,693	1,818	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-
Unearned Revenues	2,400	115	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>10,093</b>	<b>1,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable Revenue - Property Taxes	14,358	1,008	-	-	-	-	-	-	-
<b>FUND BALANCES</b>									
Nonspendable:									
Prepaid and Inventories	2,873	-	-	-	-	-	-	-	-
Restricted For:									
Stabilization by State Statute	2,386	401	-	-	-	-	-	-	-
General Government	-	-	-	-	3,689	-	-	-	-
Economic Development	111,830	61,681	-	-	-	-	-	-	-
Public Safety	-	-	-	1,444	-	1,026	2,292	-	2,853
Cultural and Recreational	-	-	-	-	-	-	-	-	-
Committed - Organic Garden	-	3,230	-	-	-	-	-	-	-
Assigned For:									
Subsequent Year's Expenditures	-	-	-	500	15,000	1,500	8,000	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>117,089</b>	<b>65,312</b>	<b>-</b>	<b>1,944</b>	<b>18,689</b>	<b>2,526</b>	<b>10,292</b>	<b>-</b>	<b>2,853</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 141,540</b>	<b>68,253</b>	<b>-</b>	<b>1,944</b>	<b>18,689</b>	<b>2,526</b>	<b>10,292</b>	<b>-</b>	<b>2,853</b>

KENNEL FUND	FIRE DEPT COMMUNITY FUND	FIRE DEPT CAR SEAT FUND	DRUG FORFEITURE FUND	GOVERNOR'S CRIME COMMISSION GRANT FUND	GOVERNOR'S CRIME COMMISSION GRANT 16-17 FUND	GOVERNOR'S CRIME COMMISSION GRANT CID-ICAC FUND	BIKEPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 16-17 FUND	BERKELEY MILLS BALLPARK HISTORIC NOMINATION GRANT FUND	WALK OF FAME FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	-	\$ 188,767
14,162	8,204	37	68,520	-	-	-	537	-	-	4,687	132,451
-	-	-	-	-	-	-	-	-	-	-	670
-	-	-	-	-	-	-	-	-	-	-	15,366
-	-	-	-	-	-	724	-	435	-	-	1,159
-	-	-	-	-	-	-	-	-	-	-	748
-	-	-	-	-	-	-	-	-	-	-	1,369
-	-	-	-	-	-	9,807	-	-	-	-	12,680
<b>14,162</b>	<b>8,204</b>	<b>37</b>	<b>68,520</b>	<b>-</b>	<b>-</b>	<b>10,531</b>	<b>537</b>	<b>435</b>	<b>-</b>	<b>4,687</b>	<b>\$ 353,210</b>
41	-	37	74	-	-	-	-	-	-	-	\$ 9,663
-	-	-	-	-	-	724	-	435	-	-	1,159
-	-	-	-	-	-	9,807	-	-	-	-	12,322
<b>41</b>	<b>-</b>	<b>37</b>	<b>74</b>	<b>-</b>	<b>-</b>	<b>10,531</b>	<b>-</b>	<b>435</b>	<b>-</b>	<b>-</b>	<b>23,144</b>
-	-	-	-	-	-	-	-	-	-	-	15,366
-	-	-	-	-	-	9,807	-	-	-	-	12,680
-	-	-	-	-	-	724	-	435	-	-	3,946
-	-	-	-	-	-	-	-	-	-	-	3,689
-	-	-	-	-	-	-	-	-	-	-	173,511
9,121	7,954	-	18,446	-	-	-	537	-	-	-	43,673
-	-	-	-	-	-	-	-	-	-	4,687	4,687
-	-	-	-	-	-	-	-	-	-	-	3,230
5,000	250	-	50,000	-	-	-	-	-	-	-	80,250
-	-	-	-	-	-	(10,531)	-	(435)	-	-	(10,966)
<b>14,121</b>	<b>8,204</b>	<b>-</b>	<b>68,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>314,700</b>
<b>14,162</b>	<b>8,204</b>	<b>37</b>	<b>68,520</b>	<b>-</b>	<b>-</b>	<b>10,531</b>	<b>537</b>	<b>435</b>	<b>-</b>	<b>4,687</b>	<b>\$ 353,210</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2017

	SIDEWALK CONSTRUCTION PROJECT FUND	HIGHWAY 64 SIDEWALK IMPROVEMENT PROJECT FUND	FIRE ENGINE REPLACEMENT PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	NORTH OAK STREET WIDENING PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>ASSETS</b>							
Pooled Cash and Cash Equivalents, Restricted	\$ 737,560	-	-	-	137,665	-	\$ 875,225
Receivables, Net							
Grants	-	77,413	-	-	30,994	-	108,407
<b>TOTAL ASSETS</b>	<b>\$ 737,560</b>	<b>77,413</b>	<b>-</b>	<b>-</b>	<b>168,659</b>	<b>-</b>	<b>\$ 983,632</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 24,023	11,844	-	83,744	4,919	-	\$ 124,530
Due to Other Funds	-	65,569	-	2,011	-	-	67,580
<b>TOTAL LIABILITIES</b>	<b>24,023</b>	<b>77,413</b>	<b>-</b>	<b>85,755</b>	<b>4,919</b>	<b>-</b>	<b>192,110</b>
<b>FUND BALANCES</b>							
Restricted For:							
Stabilization by State Statute	-	77,413	-	-	30,994	-	108,407
Transportation	713,537	-	-	-	163,740	-	877,277
Unassigned	-	(77,413)	-	(85,755)	(30,994)	-	(194,162)
<b>TOTAL FUND BALANCES</b>	<b>713,537</b>	<b>-</b>	<b>-</b>	<b>(85,755)</b>	<b>163,740</b>	<b>-</b>	<b>791,522</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 737,560</b>	<b>77,413</b>	<b>-</b>	<b>-</b>	<b>168,659</b>	<b>-</b>	<b>\$ 983,632</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 259,997	-	-	\$ 259,997
Unrestricted Intergovernmental	198,563	-	-	198,563
Restricted Intergovernmental	8,263	-	-	8,263
Grant Revenue	229,308	386,247	-	615,555
Special Events Income	95,714	-	-	95,714
Investment Earnings	1,295	3,936	-	5,231
Miscellaneous	83,198	1,000	-	84,198
<b>TOTAL REVENUES</b>	<b>876,338</b>	<b>391,183</b>	<b>-</b>	<b>1,267,521</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	124,196	-	-	124,196
Transportation	-	27,913	-	27,913
Environmental Protection	-	139,054	-	139,054
Economic and Physical Development	542,179	-	-	542,179
Cultural and Recreational	26,700	-	-	26,700
Capital Outlay	185,324	1,339,071	-	1,524,395
Debt Service:				
Principal	11,146	-	820,987	832,133
Interest	1,292	-	269,036	270,328
<b>TOTAL EXPENDITURES</b>	<b>890,837</b>	<b>1,506,038</b>	<b>1,090,023</b>	<b>3,486,898</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(14,499)</b>	<b>(1,114,855)</b>	<b>(1,090,023)</b>	<b>(2,219,377)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment Purchase Obligations Issued	-	655,000	-	655,000
Transfers In	2,820	90,867	633,723	727,410
Transfers Out	(594)	(1,589)	-	(2,183)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,226</b>	<b>744,278</b>	<b>633,723</b>	<b>1,380,227</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,273)</b>	<b>(370,577)</b>	<b>(456,300)</b>	<b>(839,150)</b>
FUND BALANCES, Beginning of Year	326,973	1,162,099	961,414	2,450,486
<b>FUND BALANCES, End of Year</b>	<b>\$ 314,700</b>	<b>791,522</b>	<b>505,114</b>	<b>\$ 1,611,336</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	DRUG ADDICTION RESISTANCE EDUCATION FUND	YOUTH EXPLORERS FUND
<b>REVENUES</b>									
Ad Valorem Taxes	\$ 239,283	20,714	-	-	-	-	-	-	-
Unrestricted Intergovernmental	165,469	33,094	-	-	-	-	-	-	-
Restricted Intergovernmental	-	-	-	-	-	-	-	-	-
Grant Revenue	-	-	167,347	-	-	-	-	-	-
Special Events Income	93,679	2,035	-	-	-	-	-	-	-
Investment Earnings	911	384	-	-	-	-	-	-	-
Miscellaneous	33,673	9,175	-	1,977	3,395	425	6,984	-	-
<b>TOTAL REVENUES</b>	<b>533,015</b>	<b>65,402</b>	<b>167,347</b>	<b>1,977</b>	<b>3,395</b>	<b>425</b>	<b>6,984</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>									
Current:									
Public Safety	-	-	-	854	-	-	7,924	3,111	1,379
Economic and Physical Development	492,393	49,786	-	-	-	-	-	-	-
Cultural and Recreational	-	-	-	-	1,228	-	-	-	-
Capital Outlay	10,177	-	167,347	-	-	-	-	-	-
Debt Service:									
Principal	11,146	-	-	-	-	-	-	-	-
Interest	1,292	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>515,008</b>	<b>49,786</b>	<b>167,347</b>	<b>854</b>	<b>1,228</b>	<b>-</b>	<b>7,924</b>	<b>3,111</b>	<b>1,379</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,007</b>	<b>15,616</b>	<b>-</b>	<b>1,123</b>	<b>2,167</b>	<b>425</b>	<b>(940)</b>	<b>(3,111)</b>	<b>(1,379)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	-	-	-	-	-	-	-	-	106
Transfers Out	-	-	-	-	-	-	-	(106)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(106)</b>	<b>106</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>18,007</b>	<b>15,616</b>	<b>-</b>	<b>1,123</b>	<b>2,167</b>	<b>425</b>	<b>(940)</b>	<b>(3,217)</b>	<b>(1,273)</b>
FUND BALANCES, Beginning of Year	99,082	49,696	-	821	16,522	2,101	11,232	3,217	4,126
<b>FUND BALANCES, End of Year</b>	<b>\$ 117,089</b>	<b>65,312</b>	<b>-</b>	<b>1,944</b>	<b>18,689</b>	<b>2,526</b>	<b>10,292</b>	<b>-</b>	<b>2,853</b>

KENNEL FUND	FIRE DEPT COMMUNITY FUND	FIRE DEPT CAR SEAT FUND	DRUG FORFEITURE FUND	GOVERNOR'S CRIME COMMISSION GRANT FUND	GOVERNOR'S CRIME COMMISSION GRANT PILL 16-17 FUND	GOVERNOR'S CRIME COMMISSION GRANT CID-ICAC FUND	BIKEPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT 16-17 FUND	BERKELEY MILLS BALLPARK HISTORIC NOMINATION GRANT FUND	WALK OF FAME FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	-	\$ 259,997
-	-	-	-	-	-	-	-	-	-	-	198,563
-	-	-	8,263	-	-	-	-	-	-	-	8,263
-	-	-	-	13	20,685	27,301	13,027	435	500	-	229,308
-	-	-	-	-	-	-	-	-	-	-	95,714
-	-	-	-	-	-	-	-	-	-	-	1,295
9,987	6,069	464	-	-	-	-	-	-	-	11,049	83,198
<b>9,987</b>	<b>6,069</b>	<b>464</b>	<b>8,263</b>	<b>13</b>	<b>20,685</b>	<b>27,301</b>	<b>13,027</b>	<b>435</b>	<b>500</b>	<b>11,049</b>	<b>876,338</b>
3,754	1,129	2,925	62,486	13	12,885	27,301	-	435	-	-	124,196
-	-	-	-	-	-	-	-	-	-	-	542,179
-	-	-	-	-	-	-	18,610	-	500	6,362	26,700
-	-	-	-	-	7,800	-	-	-	-	-	185,324
-	-	-	-	-	-	-	-	-	-	-	11,146
-	-	-	-	-	-	-	-	-	-	-	1,292
<b>3,754</b>	<b>1,129</b>	<b>2,925</b>	<b>62,486</b>	<b>13</b>	<b>20,685</b>	<b>27,301</b>	<b>18,610</b>	<b>435</b>	<b>500</b>	<b>6,362</b>	<b>890,837</b>
<b>6,233</b>	<b>4,940</b>	<b>(2,461)</b>	<b>(54,223)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,583)</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>(14,499)</b>
-	2,714	-	-	-	-	-	-	-	-	-	2,820
-	-	(488)	-	-	-	-	-	-	-	-	(594)
-	<b>2,714</b>	<b>(488)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,226</b>
<b>6,233</b>	<b>7,654</b>	<b>(2,949)</b>	<b>(54,223)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,583)</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>(12,273)</b>
7,888	550	2,949	122,669	-	-	-	6,120	-	-	-	326,973
<b>14,121</b>	<b>8,204</b>	<b>-</b>	<b>68,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>\$ 314,700</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	SIDEWALK CONSTRUCTION PROJECT FUND	HIGHWAY 64 SIDEWALK IMPROVEMENT PROJECT FUND	FIRE ENGINE REPLACEMENT PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	NORTH OAK STREET WIDENING PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>REVENUES</b>							
Grant Revenue	\$ -	222,350	-	53,299	110,598	-	\$ 386,247
Investment Earnings	3,936	-	-	-	-	-	3,936
Miscellaneous	-	-	1,000	-	-	-	1,000
<b>TOTAL REVENUES</b>	<b>3,936</b>	<b>222,350</b>	<b>1,000</b>	<b>53,299</b>	<b>110,598</b>	<b>-</b>	<b>391,183</b>
<b>EXPENDITURES</b>							
Current:							
Transportation	-	27,913	-	-	-	-	27,913
Environmental Protection	-	-	-	139,054	-	-	139,054
Capital Outlay	208,015	248,762	659,000	-	138,247	85,047	1,339,071
<b>TOTAL EXPENDITURES</b>	<b>208,015</b>	<b>276,675</b>	<b>659,000</b>	<b>139,054</b>	<b>138,247</b>	<b>85,047</b>	<b>1,506,038</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(204,079)</b>	<b>(54,325)</b>	<b>(658,000)</b>	<b>(85,755)</b>	<b>(27,649)</b>	<b>(85,047)</b>	<b>(1,114,855)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Installment Purchase Obligations Issued	-	-	655,000	-	-	-	655,000
Transfers In	1,589	27,913	3,000	-	41,389	16,976	90,867
Transfers Out	-	(1,589)	-	-	-	-	(1,589)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,589</b>	<b>26,324</b>	<b>658,000</b>	<b>-</b>	<b>41,389</b>	<b>16,976</b>	<b>744,278</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(202,490)</b>	<b>(28,001)</b>	<b>-</b>	<b>(85,755)</b>	<b>13,740</b>	<b>(68,071)</b>	<b>(370,577)</b>
FUND BALANCES, Beginning of Year	916,027	28,001	-	-	150,000	68,071	1,162,099
<b>FUND BALANCES, End of Year</b>	<b>\$ 713,537</b>	<b>-</b>	<b>-</b>	<b>(85,755)</b>	<b>163,740</b>	<b>-</b>	<b>\$ 791,522</b>



## **Special Revenue Funds**

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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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 239,125	238,059	\$ (1,066)
Penalties and Interest	1,100	1,224	124
Sales and Use Taxes	164,086	165,469	1,383
Special Events Income	143,192	93,679	(49,513)
Investment Earnings	1,050	911	(139)
Miscellaneous	31,248	33,673	2,425
<b>TOTAL REVENUES</b>	<b>579,801</b>	<b>533,015</b>	<b>(46,786)</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	137,872	135,009	2,863
Operating Expenditures	238,985	224,786	14,199
Special Event Costs	192,806	132,598	60,208
Capital Outlay	10,200	10,177	23
Debt Service:			
Principal	11,146	11,146	-
Interest	1,292	1,292	-
<b>TOTAL EXPENDITURES</b>	<b>592,301</b>	<b>515,008</b>	<b>77,293</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,500)</b>	<b>18,007</b>	<b>30,507</b>
Fund Balance Appropriated	12,500		(12,500)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>18,007</b>	<b>\$ 18,007</b>
FUND BALANCE, Beginning of Year		99,082	
<b>FUND BALANCE, End of Year</b>		<b>\$ 117,089</b>	

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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 17,725	20,412	\$ 2,687
Penalties and Interest	50	302	252
Sales and Use Taxes	30,428	33,094	2,666
Special Events Income	2,035	2,035	-
Investment Earnings	425	384	(41)
Miscellaneous	9,175	9,175	-
<b>TOTAL REVENUES</b>	<b>59,838</b>	<b>65,402</b>	<b>5,564</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	10,498	9,969	529
Operating Expenditures	49,890	39,817	10,073
Capital Outlay	10,640	-	10,640
<b>TOTAL EXPENDITURES</b>	<b>71,028</b>	<b>49,786</b>	<b>21,242</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,190)</b>	<b>15,616</b>	<b>26,806</b>
Fund Balance Appropriated	11,190		(11,190)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>15,616</b>	<b>\$ 15,616</b>
FUND BALANCE, Beginning of Year		49,696	
<b>FUND BALANCE, End of Year</b>		<b>\$ 65,312</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND

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

YEAR ENDED JUNE 30, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 1,300,000	1,047,228	167,347	1,214,575	\$ (85,425)
<b>TOTAL REVENUES</b>	<b>1,300,000</b>	<b>1,047,228</b>	<b>167,347</b>	<b>1,214,575</b>	<b>(85,425)</b>
<b>EXPENDITURES</b>					
Current:					
Transportation					
Professional Services	75,244	57,300	-	57,300	17,944
Engineering Services	43,855	32,852	-	32,852	11,003
Capital Outlay	1,169,287	957,076	167,347	1,124,423	44,864
Contingencies	11,614	-	-	-	11,614
<b>TOTAL EXPENDITURES</b>	<b>1,300,000</b>	<b>1,047,228</b>	<b>167,347</b>	<b>1,214,575</b>	<b>85,425</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ -	1,977	\$ 1,977
<b>TOTAL REVENUES</b>	<u>-</u>	<u>1,977</u>	<u>1,977</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	800	854	(54)
<b>TOTAL EXPENDITURES</b>	<u>800</u>	<u>854</u>	<u>(54)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(800)</u>	<u>1,123</u>	<u>1,923</u>
Fund Balance Appropriated	800		(800)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>1,123</u>	<u>\$ 1,123</u>
FUND BALANCE, Beginning of Year		<u>821</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 1,944</u>	

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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ -	3,395	\$ 3,395
<b>TOTAL REVENUES</b>	<u>-</u>	<u>3,395</u>	<u>3,395</u>
<b>EXPENDITURES</b>			
Current:			
Cultural and Recreational:			
Operating Expenditures	15,000	1,228	13,772
<b>TOTAL EXPENDITURES</b>	<u>15,000</u>	<u>1,228</u>	<u>13,772</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(15,000)</u>	<u>2,167</u>	<u>17,167</u>
Fund Balance Appropriated	<u>15,000</u>		<u>(15,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>2,167</u>	<u>\$ 2,167</u>
FUND BALANCE, Beginning of Year		<u>16,522</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 18,689</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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ -	425	\$ 425
<b>TOTAL REVENUES</b>	<u>-</u>	<u>425</u>	<u>425</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	1,900	-	1,900
<b>TOTAL EXPENDITURES</b>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,900)</u>	<u>425</u>	<u>2,325</u>
Fund Balance Appropriated	<u>1,900</u>		<u>(1,900)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>425</u>	<u>\$ 425</u>
FUND BALANCE, Beginning of Year		<u>2,101</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 2,526</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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 6,383	6,984	\$ 601
<b>TOTAL REVENUES</b>	<b>6,383</b>	<b>6,984</b>	<b>601</b>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	14,383	7,924	6,459
<b>TOTAL EXPENDITURES</b>	<b>14,383</b>	<b>7,924</b>	<b>6,459</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,000)</b>	<b>(940)</b>	<b>7,060</b>
Fund Balance Appropriated	8,000		(8,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(940)</b>	<b>\$ (940)</b>
FUND BALANCE, Beginning of Year		11,232	
<b>FUND BALANCE, End of Year</b>		<b>\$ 10,292</b>	



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - DRUG ADDICTION RESISTANCE EDUCATION FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	2,000	3,111	(1,111)
<b>TOTAL EXPENDITURES</b>	<u>2,000</u>	<u>3,111</u>	<u>(1,111)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,000)</u>	<u>(3,111)</u>	<u>(1,111)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(1,217)	(106)	1,111
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,217)</u>	<u>(106)</u>	<u>1,111</u>
Fund Balance Appropriated	3,217		(3,217)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(3,217)</u>	<u>\$ (3,217)</u>
FUND BALANCE, Beginning of Year		<u>3,217</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ -</u>	

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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	2,000	1,379	621
<b>TOTAL EXPENDITURES</b>	<u>2,000</u>	<u>1,379</u>	<u>621</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,000)</u>	<u>(1,379)</u>	<u>621</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	106	106
Transfers Out	(2,126)	-	2,126
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,126)</u>	<u>106</u>	<u>2,232</u>
Fund Balance Appropriated	4,126		(4,126)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(1,273)</u>	<u>\$ (1,273)</u>
FUND BALANCE, Beginning of Year		<u>4,126</u>	
<b>FUND BALANCE, End of Year</b>		<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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ -	9,987	\$ 9,987
<b>TOTAL REVENUES</b>	<u>-</u>	<u>9,987</u>	<u>9,987</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	7,000	3,754	3,246
<b>TOTAL EXPENDITURES</b>	<u>7,000</u>	<u>3,754</u>	<u>3,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,000)</u>	<u>6,233</u>	<u>13,233</u>
Fund Balance Appropriated	<u>7,000</u>		<u>(7,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>6,233</u>	<u>\$ 6,233</u>
FUND BALANCE, Beginning of Year		<u>7,888</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 14,121</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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 675	6,069	\$ 5,394
<b>TOTAL REVENUES</b>	<b>675</b>	<b>6,069</b>	<b>5,394</b>
<b>EXPENDITURES</b>			
Current:			
Fire Department:			
Operating Expenditures	3,589	1,129	2,460
<b>TOTAL EXPENDITURES</b>	<b>3,589</b>	<b>1,129</b>	<b>2,460</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,914)</b>	<b>4,940</b>	<b>7,854</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,714	2,714	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,714</b>	<b>2,714</b>	<b>-</b>
Fund Balance Appropriated	200		(200)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>7,654</b>	<b>\$ 7,654</b>
FUND BALANCE, Beginning of Year		550	
<b>FUND BALANCE, End of Year</b>		<b>\$ 8,204</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - FIRE DEPARTMENT CAR SEAT FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 2,345	464	\$ (1,881)
<b>TOTAL REVENUES</b>	<u>2,345</u>	<u>464</u>	<u>(1,881)</u>
<b>EXPENDITURES</b>			
Current:			
Fire Department:			
Operating Expenditures	4,595	2,925	1,670
<b>TOTAL EXPENDITURES</b>	<u>4,595</u>	<u>2,925</u>	<u>1,670</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,250)</u>	<u>(2,461)</u>	<u>(211)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(699)	(488)	211
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(699)</u>	<u>(488)</u>	<u>211</u>
Fund Balance Appropriated	2,949		(2,949)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(2,949)</u>	<u>\$ (2,949)</u>
FUND BALANCE, Beginning of Year		<u>2,949</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ -</u>	

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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Restricted Intergovernmental	\$ -	8,263	\$ 8,263
<b>TOTAL REVENUES</b>	<u>-</u>	<u>8,263</u>	<u>8,263</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	80,000	62,486	17,514
<b>TOTAL EXPENDITURES</b>	<u>80,000</u>	<u>62,486</u>	<u>17,514</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(80,000)</u>	<u>(54,223)</u>	<u>25,777</u>
Fund Balance Appropriated	<u>80,000</u>		<u>(80,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(54,223)</u>	<u>\$ (54,223)</u>
FUND BALANCE, Beginning of Year		<u>122,669</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 68,446</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - DOJ	\$ 14,720	14,707	13	14,720	\$ -
<b>TOTAL REVENUES</b>	<b>14,720</b>	<b>14,707</b>	<b>13</b>	<b>14,720</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Police Department Operating Expenditures	14,720	14,707	13	14,720	-
<b>TOTAL EXPENDITURES</b>	<b>14,720</b>	<b>14,707</b>	<b>13</b>	<b>14,720</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - DPS	\$ 23,175	-	20,685	20,685	\$ (2,490)
<b>TOTAL REVENUES</b>	<b>23,175</b>	<b>-</b>	<b>20,685</b>	<b>20,685</b>	<b>(2,490)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department					
Operating Expenditures	15,375	-	12,885	12,885	2,490
Capital Outlay	7,800	-	7,800	7,800	-
<b>TOTAL EXPENDITURES</b>	<b>23,175</b>	<b>-</b>	<b>20,685</b>	<b>20,685</b>	<b>2,490</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		



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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - DPS	\$ 38,955	-	27,301	27,301	\$ (11,654)
<b>TOTAL REVENUES</b>	<b>38,955</b>	<b>-</b>	<b>27,301</b>	<b>27,301</b>	<b>(11,654)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department Operating Expenditures	38,955	-	27,301	27,301	11,654
<b>TOTAL EXPENDITURES</b>	<b>38,955</b>	<b>-</b>	<b>27,301</b>	<b>27,301</b>	<b>11,654</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 35,000	20,720	13,027	33,747	\$ (1,253)
Miscellaneous	10,000	10,000	-	10,000	-
<b>TOTAL REVENUES</b>	<b>45,000</b>	<b>30,720</b>	<b>13,027</b>	<b>43,747</b>	<b>(1,253)</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational Operating Expenditures	50,000	29,600	18,610	48,210	1,790
<b>TOTAL EXPENDITURES</b>	<b>50,000</b>	<b>29,600</b>	<b>18,610</b>	<b>48,210</b>	<b>1,790</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,000)</b>	<b>1,120</b>	<b>(5,583)</b>	<b>(4,463)</b>	<b>537</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	5,000	5,000	-	5,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>6,120</b>	<b>(5,583)</b>	<b>537</b>	<b>\$ 537</b>
FUND BALANCE, Beginning of Year			6,120		
<b>FUND BALANCE, End of Year</b>			<b>\$ 537</b>		

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 5,000	-	435	435	\$ (4,565)
<b>TOTAL REVENUES</b>	<b>5,000</b>	<b>-</b>	<b>435</b>	<b>435</b>	<b>(4,565)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department Operating Expenditures	5,000	-	435	435	4,565
<b>TOTAL EXPENDITURES</b>	<b>5,000</b>	<b>-</b>	<b>435</b>	<b>435</b>	<b>4,565</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - BERKELEY MILLS BALLPARK HISTORIC NOMINATION GRANT FUND

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

YEAR ENDED JUNE 30, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - DOINPS	\$ 2,500	2,000	500	2,500	\$ -
<b>TOTAL REVENUES</b>	<b>2,500</b>	<b>2,000</b>	<b>500</b>	<b>2,500</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational Professional Services	6,500	6,000	500	6,500	-
<b>TOTAL EXPENDITURES</b>	<b>6,500</b>	<b>6,000</b>	<b>500</b>	<b>6,500</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>	<b>(4,000)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	4,000	4,000	-	4,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,000</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			<b>\$ -</b>		

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Miscellaneous	\$ 10,799	-	11,049	11,049	\$ 250
<b>TOTAL REVENUES</b>	<b>10,799</b>	<b>-</b>	<b>11,049</b>	<b>11,049</b>	<b>250</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational					
Professional Services	1,100	-	1,100	1,100	-
Operating Expenditures	9,699	-	5,262	5,262	4,437
<b>TOTAL EXPENDITURES</b>	<b>10,799</b>	<b>-</b>	<b>6,362</b>	<b>6,362</b>	<b>4,437</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>4,687</b>	<b>4,687</b>	<b>\$ 4,687</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ 4,687</b>		



## **Capital Projects Funds**

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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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 430,000	430,000	-	430,000	\$ -
Local Contributions	52,260	52,260	-	52,260	-
Investment Earnings	32,510	34,541	3,936	38,477	5,967
<b>TOTAL REVENUES</b>	<b>514,770</b>	<b>516,801</b>	<b>3,936</b>	<b>520,737</b>	<b>5,967</b>
<b>EXPENDITURES</b>					
Capital Outlay	2,396,459	1,482,464	208,015	1,690,479	705,980
<b>TOTAL EXPENDITURES</b>	<b>2,396,459</b>	<b>1,482,464</b>	<b>208,015</b>	<b>1,690,479</b>	<b>705,980</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,881,689)</b>	<b>(965,663)</b>	<b>(204,079)</b>	<b>(1,169,742)</b>	<b>711,947</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
General Obligation Bonds Issued	2,100,000	2,100,000	-	2,100,000	-
Transfers In	-	-	1,589	1,589	1,589
Transfers Out	(218,311)	(218,310)	-	(218,310)	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,881,689</b>	<b>1,881,690</b>	<b>1,589</b>	<b>1,883,279</b>	<b>1,590</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>916,027</b>	<b>(202,490)</b>	<b>713,537</b>	<b>\$ 713,537</b>
FUND BALANCE, Beginning of Year			916,027		
<b>FUND BALANCE, End of Year</b>			<b>\$ 713,537</b>		



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - HIGHWAY 64 SIDEWALK IMPROVEMENT 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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - FTA	\$ 222,350	-	222,350	222,350	\$ -
<b>TOTAL REVENUES</b>	<b>222,350</b>	<b>-</b>	<b>222,350</b>	<b>222,350</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Transportation					
Salaries and Employee Benefits	27,913	-	27,913	27,913	-
Capital Outlay	250,025	1,263	248,762	250,025	-
<b>TOTAL EXPENDITURES</b>	<b>277,938</b>	<b>1,263</b>	<b>276,675</b>	<b>277,938</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(55,588)</b>	<b>(1,263)</b>	<b>(54,325)</b>	<b>(55,588)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	55,588	29,264	27,913	57,177	1,589
Transfers Out	-	-	(1,589)	(1,589)	(1,589)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>55,588</b>	<b>29,264</b>	<b>26,324</b>	<b>55,588</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>28,001</b>	<b>(28,001)</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			28,001		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - FIRE ENGINE REPLACEMENT 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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Miscellaneous	\$ 1,000	-	1,000	1,000	\$ -
<b>TOTAL REVENUES</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>
<b>EXPENDITURES</b>					
Capital Outlay	659,000	-	659,000	659,000	-
<b>TOTAL EXPENDITURES</b>	<b>659,000</b>	<b>-</b>	<b>659,000</b>	<b>659,000</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(658,000)</b>	<b>-</b>	<b>(658,000)</b>	<b>(658,000)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Installment Purchase Obligation Issued	655,000	-	655,000	655,000	-
Transfers In	3,000	-	3,000	3,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>658,000</b>	<b>-</b>	<b>658,000</b>	<b>658,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDENR	\$ 168,748	30,615	53,299	83,914	\$ (84,834)
<b>TOTAL REVENUES</b>	<b>168,748</b>	<b>30,615</b>	<b>53,299</b>	<b>83,914</b>	<b>(84,834)</b>
<b>EXPENDITURES</b>					
Current:					
Environmental Protection					
Professional Services	164,748	30,615	139,054	169,669	(4,921)
Contingencies	4,000	-	-	-	4,000
<b>TOTAL EXPENDITURES</b>	<b>168,748</b>	<b>30,615</b>	<b>139,054</b>	<b>169,669</b>	<b>(921)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>(85,755)</b>	<b>(85,755)</b>	<b>\$ (85,755)</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ (85,755)</b>		

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 832,000	-	110,598	110,598	\$ (721,402)
<b>TOTAL REVENUES</b>	<b>832,000</b>	<b>-</b>	<b>110,598</b>	<b>110,598</b>	<b>(721,402)</b>
<b>EXPENDITURES</b>					
Capital Outlay	1,040,000	-	138,247	138,247	901,753
<b>TOTAL EXPENDITURES</b>	<b>1,040,000</b>	<b>-</b>	<b>138,247</b>	<b>138,247</b>	<b>901,753</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(208,000)</b>	<b>-</b>	<b>(27,649)</b>	<b>(27,649)</b>	<b>180,351</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	208,000	150,000	41,389	191,389	(16,611)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>208,000</b>	<b>150,000</b>	<b>41,389</b>	<b>191,389</b>	<b>(16,611)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>150,000</b>	<b>13,740</b>	<b>163,740</b>	<b>\$ 163,740</b>
FUND BALANCE, Beginning of Year			150,000		
<b>FUND BALANCE, End of Year</b>			<b>\$ 163,740</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - NORTH OAK STREET WIDENING 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, 2017

	<b>PROJECT AUTHOR- IZATION</b>	<b>PRIOR YEARS</b>	<b>ACTUAL CURRENT YEAR</b>	<b>TOTAL TO DATE</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	410,221	320,150	85,047	405,197	5,024
<b>TOTAL EXPENDITURES</b>	<u>410,221</u>	<u>320,150</u>	<u>85,047</u>	<u>405,197</u>	<u>5,024</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(410,221)</u>	<u>(320,150)</u>	<u>(85,047)</u>	<u>(405,197)</u>	<u>5,024</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	410,221	388,221	16,976	405,197	(5,024)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>410,221</u>	<u>388,221</u>	<u>16,976</u>	<u>405,197</u>	<u>(5,024)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>68,071</u>	<u>(68,071)</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, Beginning of Year			68,071		
<b>FUND BALANCE, End of Year</b>			<u>\$ -</u>		



## **Debt Service Fund**

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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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	820,987	820,987	-
Interest	265,731	269,036	(3,305)
<b>TOTAL EXPENDITURES</b>	<u><b>1,086,718</b></u>	<u><b>1,090,023</b></u>	<u><b>(3,305)</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>(1,086,718)</b></u>	<u><b>(1,090,023)</b></u>	<u><b>(3,305)</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	633,723	633,723	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>633,723</b></u>	<u><b>633,723</b></u>	<u>-</u>
Fund Balance Appropriated	452,995		(452,995)
<b>NET CHANGE IN FUND BALANCE</b>	<u><u><b>\$ -</b></u></u>	<u><b>(456,300)</b></u>	<u><u><b>\$ (456,300)</b></u></u>
FUND BALANCE, Beginning of Year		<u>961,414</u>	
<b>FUND BALANCE, End of Year</b>		<u><u><b>\$ 505,114</b></u></u>	



## **Enterprise Funds**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Water Sales	\$ 9,215,997	9,604,969	\$ 388,972
Sewer Charges	4,669,862	4,788,679	118,817
Water and Sewer Taps	252,000	368,035	116,035
System Development Charges	94,500	4,291	(90,209)
Miscellaneous Revenue	311,750	313,700	1,950
<b>Total Operating Revenues</b>	<b>14,544,109</b>	<b>15,079,674</b>	<b>535,565</b>
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	190,000	81,814	(108,186)
Other Non-Operating Revenue	31,050	50,784	19,734
<b>Total Nonoperating Revenues</b>	<b>221,050</b>	<b>132,598</b>	<b>(88,452)</b>
<b>TOTAL REVENUES</b>	<b>14,765,159</b>	<b>15,212,272</b>	<b>447,113</b>
<b>EXPENDITURES</b>			
Information Technology:			
Contracted Services	195,643	191,736	3,907
Supplies	14,500	12,599	1,901
Capital Outlay	24,000	17,664	6,336
Other Departmental Expense	250,757	244,085	6,672
Total	484,900	466,084	18,816
Fleet Maintenance:			
Salaries and Employee Benefits	122,235	117,267	4,968
Total	122,235	117,267	4,968
Administration:			
Salaries and Employee Benefits	717,952	725,376	(7,424)
Contracted Services	225,720	135,220	90,500
Supplies	12,100	11,453	647
Repairs and Maintenance	4,500	15,321	(10,821)
Capital Outlay	143,935	116,160	27,775
Other Departmental Expense	713,389	652,090	61,299
Total	1,817,596	1,655,620	161,976
Finance:			
Salaries and Employee Benefits	578,600	615,316	(36,716)
Contracted Services	153,220	121,129	32,091
Supplies	58,817	52,408	6,409
Repairs and Maintenance	852	525	327
Capital Outlay	39,625	34,317	5,308
Other Departmental Expense	326,086	284,302	41,784
Total	\$ 1,157,200	1,107,997	\$ 49,203

(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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
Engineering:			
Salaries and Employee Benefits	\$ 350,519	320,922	\$ 29,597
Repairs and Maintenance	1,100	598	502
Other Departmental Expense	27,950	22,283	5,667
Total	379,569	343,803	35,766
Facilities Maintenance:			
Salaries and Employee Benefits	497,504	497,637	(133)
Contracted Services	107,100	75,741	31,359
Issues from Inventory	100,000	95,528	4,472
Utilities	234,900	210,879	24,021
Supplies	56,920	66,411	(9,491)
Repairs and Maintenance	123,700	57,244	66,456
Capital Outlay	548,350	241,092	307,258
Other Departmental Expense	60,117	46,647	13,470
Total	1,728,591	1,291,179	437,412
Water Treatment Plant:			
Salaries and Employee Benefits	708,059	686,275	21,784
Contracted Services	76,740	51,674	25,066
Utilities	313,000	292,889	20,111
Chemicals	412,500	395,979	16,521
Supplies	134,200	121,257	12,943
Repairs and Maintenance	82,430	73,801	8,629
Capital Outlay	81,100	76,683	4,417
Other Departmental Expense	209,382	189,338	20,044
Total	2,017,411	1,887,896	129,515
Operations Support:			
Salaries and Employee Benefits	649,062	642,014	7,048
Supplies	27,740	25,632	2,108
Repairs and Maintenance	20,520	19,782	738
Other Departmental Expense	62,215	54,930	7,285
Total	759,537	742,358	17,179
Water Distribution:			
Salaries and Employee Benefits	727,171	695,781	31,390
Contracted Services	114,000	77,220	36,780
Issues from Inventory	270,500	260,070	10,430
Supplies	179,407	116,149	63,258
Repairs and Maintenance	59,800	51,620	8,180
Capital Outlay	1,084,529	1,090,122	(5,593)
Other Departmental Expense	101,605	77,495	24,110
Total	\$ 2,537,012	2,368,457	\$ 168,555

(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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
Water and Sewer Construction:			
Salaries and Employee Benefits	\$ 230,419	199,770	\$ 30,649
Contracted Services	32,000	462	31,538
Supplies	91,500	(30,536)	122,036
Repairs and Maintenance	397,780	285,837	111,943
Other Departmental Expense	32,726	15,885	16,841
Total	<u>784,425</u>	<u>471,418</u>	<u>313,007</u>
Wastewater Treatment Plant:			
Salaries and Employee Benefits	615,038	579,597	35,441
Contracted Services	25,500	22,082	3,418
Sludge Management	222,000	218,099	3,901
Utilities	318,000	305,541	12,459
Supplies	36,300	31,592	4,708
Repairs and Maintenance	169,510	168,320	1,190
Other Departmental Expense	71,432	53,706	17,726
Total	<u>1,457,780</u>	<u>1,378,937</u>	<u>78,843</u>
Wastewater Collection:			
Salaries and Employee Benefits	589,354	537,088	52,266
Contracted Services	30,000	15,434	14,566
Issues from Inventory	30,000	18,518	11,482
Supplies	79,200	57,563	21,637
Repairs and Maintenance	66,935	64,046	2,889
Capital Outlay	1,251,075	105,687	1,145,388
Other Departmental Expense	223,740	100,266	123,474
Total	<u>2,270,304</u>	<u>898,602</u>	<u>1,371,702</u>
Debt Service:			
Principal Retirement	3,175,149	3,175,149	-
Interest and Other Charges	567,473	567,475	(2)
Total Debt Service	<u>3,742,622</u>	<u>3,742,624</u>	<u>(2)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>19,259,182</u></b>	<b><u>16,472,242</u></b>	<b><u>2,786,940</u></b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(4,494,023)</u></b>	<b><u>(1,259,970)</u></b>	<b><u>3,234,053</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,263,753	2,263,753	-
Transfers Out	(1,914,605)	(1,912,640)	1,965
Insurance Proceeds	15,321	15,321	-
Sale of Capital Assets	16,456	16,457	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ 380,925</u></b>	<b><u>382,891</u></b>	<b><u>\$ 1,966</u></b>

(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, 2017

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Fund Balance Appropriated	\$ 4,113,098		\$ (4,113,098)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u><u>-</u></u>	(877,079)	<u><u>(877,079)</u></u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Payment of Debt Principal		3,175,149	
Capital Outlay in Enterprise Capital Project Funds that was not Capitalized		(119,862)	
Capital Outlay that Resulted in Capital Asset Additions - Enterprise Capital Project Funds		1,678,871	
Capital Contributions		566,044	
Grant Revenue in Enterprise Capital Project Funds		106,520	
Loss on Sale of Capital Assets		(10,233)	
Change in Accrued Interest		27,531	
Depreciation		(6,438,566)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(117,742)	
Change in Other Postemployment Benefits		(19,328)	
Change in Compensated Absences		(63,769)	
Transfers In from Enterprise Fund Capital Project Funds		2,467,533	
Transfers Out to Enterprise Capital Project Funds		(2,845,120)	
Miscellaneous Expense		(16,730)	
<b>CHANGE IN NET POSITION</b>		<u><u>\$ (2,486,781)</u></u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - W&S CAPITAL RESERVE FUND

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

YEAR ENDED JUNE 30, 2017

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	\$ (2,263,753)	(2,263,753)	\$ -
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,263,753)</u>	<u>(2,263,753)</u>	<u>-</u>
Fund Balance Appropriated	<u>2,263,753</u>		<u>(2,263,753)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>(2,263,753)</u>	<u>\$ (2,263,753)</u>
NET POSITION, Beginning of Year		<u>2,263,753</u>	
<b>NET POSITION, End of Year</b>		<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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Base Charges (All Users)	\$ 210,000	233,591	\$ 23,591
Residential	1,047,003	1,048,342	1,339
Commercial	126,766	135,222	8,456
<b>Total Operating Revenues</b>	<b>1,383,769</b>	<b>1,417,155</b>	<b>33,386</b>
<b>Nonoperating Revenues:</b>			
Recycling Revenue	8,000	9,285	1,285
Interest Earned on Investments	5,000	3,695	(1,305)
Miscellaneous Revenue	19,524	20,075	551
<b>Total Nonoperating Revenues</b>	<b>32,524</b>	<b>33,055</b>	<b>531</b>
<b>TOTAL REVENUES</b>	<b>1,416,293</b>	<b>1,450,210</b>	<b>33,917</b>
<b>EXPENDITURES</b>			
Waste Collection and Treatment			
Salaries and Employee Benefits	808,070	798,255	9,815
Landfill Tipping Fees	202,272	202,272	-
Repairs and Maintenance	71,920	69,906	2,014
Other Departmental Expenses	116,037	145,586	(29,549)
Contracted Services	96,784	96,451	333
<b>Total</b>	<b>1,295,083</b>	<b>1,312,470</b>	<b>(17,387)</b>
Debt Service:			
Principal Retirement	30,135	30,135	-
Interest and Other Charges	3,493	3,493	-
<b>Total Debt Service</b>	<b>33,628</b>	<b>33,628</b>	<b>-</b>
Capital Outlay	57,582	3,729	53,853
<b>TOTAL EXPENDITURES</b>	<b>1,386,293</b>	<b>1,349,827</b>	<b>36,466</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>30,000</b>	<b>100,383</b>	<b>70,383</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(100,000)	(100,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>
Fund Balance Appropriated	\$ 70,000	-	\$ (70,000)

(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, 2017

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	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>383</u>	<u>\$ 383</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(124,171)	
Payment of Debt Principal		30,135	
Capital Outlay		3,729	
Capital Contributions		7,405	
Change in Accrued Interest		48	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(14,180)	
Change in Other Postemployment Benefits		(3,396)	
Change in Compensated Absences		881	
<b>CHANGE IN NET POSITION</b>		<u>\$ (99,166)</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, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Stormwater			
Other Departmental Expenses	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	100,000	100,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 100,000</u>	<u>100,000</u>	<u>\$ -</u>
<b>CHANGE IN NET POSITION</b>		<u><u>\$ 100,000</u></u>	



## **Enterprise Capital Project Funds**

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

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - EPA	\$ 121,528	50,563	416	50,979	\$ (70,549)
<b>TOTAL REVENUES</b>	<b>121,528</b>	<b>50,563</b>	<b>416</b>	<b>50,979</b>	<b>(70,549)</b>
<b>EXPENDITURES</b>					
Capital Outlay	121,528	50,563	416	50,979	70,549
<b>TOTAL EXPENDITURES</b>	<b>121,528</b>	<b>50,563</b>	<b>416</b>	<b>50,979</b>	<b>70,549</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>

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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - CDBG	\$ 1,040,500	1,040,500	-	1,040,500	\$ -
<b>TOTAL REVENUES</b>	<b>1,040,500</b>	<b>1,040,500</b>	<b>-</b>	<b>1,040,500</b>	<b>-</b>
<b>EXPENDITURES</b>					
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
<b>TOTAL EXPENDITURES</b>	<b>1,040,500</b>	<b>1,015,586</b>	<b>-</b>	<b>1,015,586</b>	<b>24,914</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>24,914</b>	<b>-</b>	<b>24,914</b>	<b>24,914</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	36,338	-	36,338	36,338
Transfers Out	-	(36,338)	-	(36,338)	(36,338)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>24,914</b>	<b>-</b>	<b>24,914</b>	<b>\$ 24,914</b>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Capital Outlay	1,856,000	97,477	123,666	221,143	1,634,857
Contingencies	308,000	-	-	-	308,000
<b>TOTAL EXPENDITURES</b>	<b>2,164,000</b>	<b>97,477</b>	<b>123,666</b>	<b>221,143</b>	<b>1,942,857</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,164,000)</b>	<b>(97,477)</b>	<b>(123,666)</b>	<b>(221,143)</b>	<b>1,942,857</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,164,000	2,164,000	-	2,164,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,164,000</b>	<b>2,164,000</b>	<b>-</b>	<b>2,164,000</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>2,066,523</b>	<b>(123,666)</b>	<b>1,942,857</b>	<b>\$ 1,942,857</b>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	\$ -	-	-	-	\$ -
<b>EXPENDITURES</b>					
Capital Outlay	3,452,200	292,455	353,225	645,680	2,806,520
Contingencies	367,000	-	-	-	367,000
<b>TOTAL EXPENDITURES</b>	<b>3,819,200</b>	<b>292,455</b>	<b>353,225</b>	<b>645,680</b>	<b>3,173,520</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,819,200)</b>	<b>(292,455)</b>	<b>(353,225)</b>	<b>(645,680)</b>	<b>3,173,520</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,819,200	3,819,200	-	3,819,200	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,819,200</b>	<b>3,819,200</b>	<b>-</b>	<b>3,819,200</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>3,526,745</b>	<b>(353,225)</b>	<b>3,173,520</b>	<b>\$ 3,173,520</b>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	\$ -	-	-	-	\$ -
<b>EXPENDITURES</b>					
Capital Outlay	468,180	38,897	94,733	133,630	334,550
<b>TOTAL EXPENDITURES</b>	<b>468,180</b>	<b>38,897</b>	<b>94,733</b>	<b>133,630</b>	<b>334,550</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(468,180)</b>	<b>(38,897)</b>	<b>(94,733)</b>	<b>(133,630)</b>	<b>334,550</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	468,180	468,180	-	468,180	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>468,180</b>	<b>468,180</b>	<b>-</b>	<b>468,180</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>429,283</b>	<b>(94,733)</b>	<b>334,550</b>	<b>\$ 334,550</b>



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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	1,511,000	98,130	362,605	460,735	1,050,265
Contingencies	75,000	-	-	-	75,000
<b>TOTAL EXPENDITURES</b>	<u><b>1,586,000</b></u>	<u><b>98,130</b></u>	<u><b>362,605</b></u>	<u><b>460,735</b></u>	<u><b>1,125,265</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>(1,586,000)</b></u>	<u><b>(98,130)</b></u>	<u><b>(362,605)</b></u>	<u><b>(460,735)</b></u>	<u><b>1,125,265</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,586,000	793,000	793,000	1,586,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>1,586,000</b></u>	<u><b>793,000</b></u>	<u><b>793,000</b></u>	<u><b>1,586,000</b></u>	<u><b>-</b></u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>694,870</b></u></u>	<u><u><b>430,395</b></u></u>	<u><u><b>1,125,265</b></u></u>	<u><u><b>\$ 1,125,265</b></u></u>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	2,590,000	-	17,950	17,950	2,572,050
<b>TOTAL EXPENDITURES</b>	<u>2,590,000</u>	<u>-</u>	<u>17,950</u>	<u>17,950</u>	<u>2,572,050</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,590,000)</u>	<u>-</u>	<u>(17,950)</u>	<u>(17,950)</u>	<u>2,572,050</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,590,000	125,000	400,000	525,000	(2,065,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,590,000</u>	<u>125,000</u>	<u>400,000</u>	<u>525,000</u>	<u>(2,065,000)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>125,000</u>	<u>382,050</u>	<u>507,050</u>	<u>\$ 507,050</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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	599,614	-	596,067	596,067	3,547
<b>TOTAL EXPENDITURES</b>	<u>599,614</u>	<u>-</u>	<u>596,067</u>	<u>596,067</u>	<u>3,547</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(599,614)</u>	<u>-</u>	<u>(596,067)</u>	<u>(596,067)</u>	<u>3,547</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	599,614	400,000	197,649	597,649	(1,965)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>599,614</u>	<u>400,000</u>	<u>197,649</u>	<u>597,649</u>	<u>(1,965)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>400,000</u>	<u>(398,418)</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 - EAST SIDE TRANSMISSION MAIN PROJECT

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	5,100,000	-	-	-	5,100,000
<b>TOTAL EXPENDITURES</b>	<u>5,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,100,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,100,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	5,100,000	-	-	-	(5,100,000)
Transfers In	400,000	400,000	-	400,000	-
Transfers Out	(400,000)	-	(400,000)	(400,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,100,000</u>	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>	<u>(5,100,000)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>	<u>\$ -</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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	476,000	-	5,634	5,634	470,366
<b>TOTAL EXPENDITURES</b>	<u>476,000</u>	<u>-</u>	<u>5,634</u>	<u>5,634</u>	<u>470,366</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(476,000)</u>	<u>-</u>	<u>(5,634)</u>	<u>(5,634)</u>	<u>470,366</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	476,000	30,200	445,800	476,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>476,000</u>	<u>30,200</u>	<u>445,800</u>	<u>476,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>30,200</u>	<u>440,166</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, 2017

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDEQ	\$ 150,000	-	106,104	106,104	\$ (43,896)
<b>TOTAL REVENUES</b>	<b>150,000</b>	<b>-</b>	<b>106,104</b>	<b>106,104</b>	<b>(43,896)</b>
<b>EXPENDITURES</b>					
Current:					
Salaries and Employee Benefits	-	-	14,361	14,361	(14,361)
Capital Outlay	314,850	-	118,899	118,899	195,951
<b>TOTAL EXPENDITURES</b>	<b>314,850</b>	<b>-</b>	<b>133,260</b>	<b>133,260</b>	<b>181,590</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(164,850)</b>	<b>-</b>	<b>(27,156)</b>	<b>(27,156)</b>	<b>137,694</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	164,850	-	164,850	164,850	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>164,850</b>	<b>-</b>	<b>164,850</b>	<b>164,850</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>-</b>	<b>137,694</b>	<b>137,694</b>	<b>\$ 137,694</b>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	\$ -	-	-	-	\$ -
<b>EXPENDITURES</b>					
Capital Outlay	4,109,000	-	48,235	48,235	4,060,765
<b>TOTAL EXPENDITURES</b>	<b>4,109,000</b>	<b>-</b>	<b>48,235</b>	<b>48,235</b>	<b>4,060,765</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,109,000)</b>	<b>-</b>	<b>(48,235)</b>	<b>(48,235)</b>	<b>4,060,765</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	4,109,000	-	-	-	(4,109,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,109,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,109,000)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>-</b>	<b>(48,235)</b>	<b>(48,235)</b>	<b>\$ (48,235)</b>

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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Capital Outlay	1,850,000	-	15,041	15,041	1,834,959
<b>TOTAL EXPENDITURES</b>	<b>1,850,000</b>	<b>-</b>	<b>15,041</b>	<b>15,041</b>	<b>1,834,959</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,850,000)</b>	<b>-</b>	<b>(15,041)</b>	<b>(15,041)</b>	<b>1,834,959</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,850,000	-	281,367	281,367	(1,568,633)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,850,000</b>	<b>-</b>	<b>281,367</b>	<b>281,367</b>	<b>(1,568,633)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>-</b>	<b>266,326</b>	<b>266,326</b>	<b>\$ 266,326</b>



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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	2,920,000	-	47,255	47,255	2,872,745
<b>TOTAL EXPENDITURES</b>	<u>2,920,000</u>	<u>-</u>	<u>47,255</u>	<u>47,255</u>	<u>2,872,745</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,920,000)</u>	<u>-</u>	<u>(47,255)</u>	<u>(47,255)</u>	<u>2,872,745</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of State Revolving Loan Fund	2,920,000	-	-	-	(2,920,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,920,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,920,000)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>(47,255)</u>	<u>(47,255)</u>	<u>\$ (47,255)</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, 2017

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	5,925,000	-	3,500	3,500	5,921,500
<b>TOTAL EXPENDITURES</b>	<u>5,925,000</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>	<u>5,921,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,925,000)</u>	<u>-</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>5,921,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	5,925,000	-	-	-	(5,925,000)
Transfers In	184,867	-	184,867	184,867	-
Transfers Out	(184,867)	-	(181,367)	(181,367)	3,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,925,000</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>	<u>(5,921,500)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</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, 2017

	<u>FINANCIAL PLAN</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services	\$ 294,093	380,726	\$ 86,633
Grant Revenue	5,000	2,880	(2,120)
Miscellaneous	10,535	11,934	1,399
<b>Total Operating Revenues</b>	<u>309,628</u>	<u>395,540</u>	<u>85,912</u>
<b>TOTAL REVENUES</b>	<u>309,628</u>	<u>395,540</u>	<u>85,912</u>
<b>EXPENDITURES</b>			
Employee Benefits	315,128	439,379	(124,251)
<b>TOTAL EXPENDITURES</b>	<u>315,128</u>	<u>439,379</u>	<u>(124,251)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,500)</u>	<u>(43,839)</u>	<u>(38,339)</u>
Fund Balance Appropriated	<u>5,500</u>		<u>5,500</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>(43,839)</u>	<u>\$ (32,839)</u>
NET POSITION, Beginning of Year		<u>43,839</u>	
NET POSITION, End of Year		<u>\$ -</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, 2017

---

	<u>BALANCE AT JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2017</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	17,056	17,056	\$ -
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>17,056</u>	<u>17,056</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Amounts Held for Custody for Others	\$ -	17,056	17,056	\$ -
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>17,056</u>	<u>17,056</u>	<u>\$ -</u>



# **Property Taxes**

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2017

Fiscal year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	8,009,108	7,862,484	\$ 146,624
2015-2016	156,258	-	75,203	81,055
2014-2015	65,827	-	13,469	52,358
2013-2014	26,115	-	1,629	24,486
2012-2013	9,545	-	41	9,504
2011-2012	11,618	-	-	11,618
2010-2011	10,420	-	-	10,420
2009-2010	9,804	-	-	9,804
2008-2009	16,579	-	2	16,577
2007-2008	19,167	-	-	19,167
2006-2007	12,793	-	29	12,764
2005-2006	9,069	-	29	9,040
	\$ 347,195	8,009,108	7,952,886	403,417
				143,232
				\$ 260,185
Reconcilement with revenues:				
				\$ 7,972,004
				16,734
Reconciling items:				
				(35,852)
				-
				\$ 7,952,886



CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

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	\$ 1,737,186,634	0.46	\$ 7,991,059	7,361,860	\$ 629,199
Penalties	-		6,154	6,154	-
Total	<u>1,737,186,634</u>		<u>7,997,213</u>	<u>7,368,014</u>	<u>629,199</u>
Discoveries:					
Current year taxes	7,391,194	0.46	31,984	-	
Penalties	-		10,777	-	
Releases:					
Current year taxes	(5,554,954)	0.46	(30,866)	-	
Penalties	-		-	-	
Total property valuation	<u>\$ 1,739,022,874</u>				
Net levy			8,009,108	7,368,014	629,199
Uncollected taxes at June 30, 2017			146,624	146,624	1,137
Current year's taxes collected			<u>\$ 7,862,484</u>	<u>7,221,390</u>	<u>\$ 628,062</u>
Current levy collection percentage			<u>98.17%</u>	<u>98.01%</u>	<u>99.82%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

Fiscal year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	241,260	235,760	\$ 5,500
2015-2016	5,606	-	1,697	3,909
2014-2015	4,233	-	448	3,785
2013-2014	2,873	-	448	2,425
2012-2013	1,206	-	-	1,206
2011-2012	744	-	-	744
2010-2011	48	-	-	48
2009-2010	1,042	-	-	1,042
2008-2009	488	-	-	488
2007-2008	951	-	-	951
2006-2007	734	-	-	734
2005-2006	246	-	-	246
	<u>\$ 18,171</u>	<u>241,260</u>	<u>238,353</u>	<u>21,078</u>
				Less allowance for uncollectible ad valorem taxes receivable <u>6,720</u>
				Ad valorem taxes receivable, net <u>\$ 14,358</u>
Reconcilement with revenues:				
				Ad valorem taxes - General Fund
				Penalties collected on ad valorem taxes - Agency Fund \$ 239,283
				294
				Reconciling items:
				Interest collected (1,224)
				Discounts allowed -
				Total collections and credits <u>\$ 238,353</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2017

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	\$ 86,033,698	0.28	\$ 240,894	238,118	\$ 2,776
Penalties	-		402	402	-
Total	<u>86,033,698</u>		<u>241,296</u>	<u>238,520</u>	<u>2,776</u>
Discoveries:					
Current year taxes	-	0.28	-	-	
Penalties	-		-	-	
Releases:					
Current year	-	0.28	(36)	-	
Penalties	-		-	-	
Total property valuation	<u>\$ 86,033,698</u>				
Net levy			241,260	238,520	2,776
Uncollected taxes at June 30, 2017			5,500	5,500	-
Current year's taxes collected			<u>\$ 235,760</u>	<u>233,020</u>	<u>\$ 2,776</u>
Current levy collection percentage			<u>97.72%</u>	<u>97.69%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

Fiscal year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	19,654	18,946	\$ 708
2015-2016	1,354	-	1,182	172
2014-2015	363	-	313	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
	<u>\$ 2,035</u>	<u>19,654</u>	<u>20,441</u>	<u>1,248</u>
				Less allowance for uncollectible ad valorem taxes receivable <u>240</u>
				Ad valorem taxes receivable, net <u>\$ 1,008</u>
Reconcilement with revenues:				
				Ad valorem taxes - General Fund
				Penalties collected on ad valorem taxes - Agency Fund \$ 20,714
				28
				Reconciling items:
				Interest collected (301)
				Discounts allowed -
				Total collections and credits <u>\$ 20,441</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2017

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	\$ 16,443,133	0.12	\$ 19,733	17,919	\$ 1,814
Penalties	-		30	30	-
Total	16,443,133		19,763	17,949	1,814
Discoveries:					
Current year taxes	-	0.12	-	-	
Penalties	-		-	-	
Releases:					
Current year	(90,450)	0.12	(109)	-	
Penalties	-		-	-	
Total property valuation	<u>\$ 16,352,683</u>				
Net levy			19,654	17,949	1,814
Uncollected taxes at June 30, 2017			708	708	-
Current year's taxes collected			<u>\$ 18,946</u>	<u>17,241</u>	<u>\$ 1,790</u>
Current levy collection percentage			<u>96.40%</u>	<u>96.06%</u>	<u>98.68%</u>





**STATISTICAL  
SECTION**





# STATISTICAL SECTION

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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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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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 15,175,066	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
Restricted	202,518	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
Unrestricted	9,878,504	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
Total Governmental Activities Net Position	<u>\$ 25,256,088</u>	<u>25,264,303</u>	<u>24,969,668</u>	<u>25,088,847</u>	<u>24,864,375</u>	<u>24,910,553</u>	<u>24,505,775</u>	<u>24,037,536</u>	<u>26,948,761</u>	<u>\$ 26,631,012</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 28,069,938	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
Unrestricted	36,038,335	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
Total Business-Type Activities Net Position	<u>\$ 64,108,273</u>	<u>65,762,515</u>	<u>68,807,918</u>	<u>71,581,737</u>	<u>74,584,344</u>	<u>76,491,496</u>	<u>78,534,867</u>	<u>78,429,785</u>	<u>76,606,414</u>	<u>\$ 74,120,467</u>
Primary Government										
Net Investment in Capital Assets	\$ 43,245,004	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
Restricted	202,518	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
Unrestricted	45,916,839	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
Total Primary Government Net Position	<u>\$ 89,364,361</u>	<u>91,026,818</u>	<u>93,777,586</u>	<u>96,670,584</u>	<u>99,448,719</u>	<u>101,402,049</u>	<u>103,040,642</u>	<u>102,467,321</u>	<u>103,555,175</u>	<u>\$ 100,751,479</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 2,047,039	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
Public Safety	5,904,878	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
Transportation	1,582,437	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
Environmental Protection	515,024	799,405	223,094	642,849	589,902	596,425	626,450	484,528	21,508	139,054
Economic and Physical Development	239,525	342,472	453,538	262,751	405,416	311,086	455,811	428,450	520,035	564,691
Cultural and Recreation	220,864	197,333	588,305	200,772	237,833	200,928	215,403	537,955	968,892	1,010,569
Interest on Long-Term Obligations	186,416	232,634	229,642	215,749	197,996	231,074	346,513	318,140	295,850	263,137
Total Governmental Activities	<u>10,696,183</u>	<u>11,590,721</u>	<u>11,776,197</u>	<u>11,886,593</u>	<u>12,759,284</u>	<u>12,026,539</u>	<u>12,998,475</u>	<u>14,080,308</u>	<u>14,252,039</u>	<u>15,361,729</u>
Business-Type Activities:										
Water and Sewer Fund	10,498,295	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
Environmental Services Fund	965,119	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
Total Business-Type Activities	<u>11,463,414</u>	<u>12,259,670</u>	<u>11,289,238</u>	<u>11,798,717</u>	<u>12,355,522</u>	<u>13,319,972</u>	<u>14,160,097</u>	<u>17,225,873</u>	<u>18,670,373</u>	<u>19,823,469</u>
Total Expenses	<u>\$ 22,159,597</u>	<u>23,850,391</u>	<u>23,065,435</u>	<u>23,685,310</u>	<u>25,114,806</u>	<u>25,346,511</u>	<u>27,158,572</u>	<u>31,306,181</u>	<u>32,922,412</u>	<u>\$ 35,185,198</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	-	-	-	-	-	-	39,153	85,995	\$ 38,379
Public Safety	159,579	154,633	153,171	163,982	156,625	219,158	217,156	76,401	217,039	295,562
Transportation	70,791	72,426	69,058	73,432	83,540	75,042	98,555	-	-	-
Parks and Drainage	23,450	17,850	15,000	11,850	23,500	5,500	16,000	-	-	-
Cultural and Recreational	119,147	145,221	154,555	164,349	160,737	162,593	168,084	323,572	412,311	429,214
Operating Grants and Contributions	497,857	511,908	627,018	823,010	925,970	646,346	433,681	680,540	722,754	807,606
Capital Grants and Contributions	178,328	214,998	400,000	75,000	390,000	-	60,079	53,783	1,073,002	565,917
Total Governmental Activities	<u>1,049,152</u>	<u>1,117,036</u>	<u>1,418,802</u>	<u>1,311,623</u>	<u>1,740,372</u>	<u>1,108,639</u>	<u>993,555</u>	<u>1,173,449</u>	<u>2,511,101</u>	<u>2,136,678</u>
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	12,846,457	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
Environmental Services Fund	543,892	671,189	695,814	837,913	868,123	928,295	1,064,783	1,130,922	1,204,694	1,417,155
Capital Grants and Contributions	-	292,577	216,558	285,014	122,019	-	580,014	1,177,512	46,537	679,969
Total Business-Type Activities	<u>13,390,349</u>	<u>13,004,101</u>	<u>13,805,101</u>	<u>14,509,438</u>	<u>15,021,376</u>	<u>14,636,764</u>	<u>15,782,247</u>	<u>17,036,217</u>	<u>16,736,659</u>	<u>17,176,798</u>
Total Program Revenues	<u>\$ 14,439,501</u>	<u>14,121,137</u>	<u>15,223,903</u>	<u>15,821,061</u>	<u>16,761,748</u>	<u>15,745,403</u>	<u>16,775,802</u>	<u>18,209,666</u>	<u>19,247,760</u>	<u>\$ 19,313,476</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (9,647,031)	(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)
Business-Type Activities	1,926,935	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)
Total Net Expense	<u>\$ (7,720,096)</u>	<u>(9,729,254)</u>	<u>(7,841,532)</u>	<u>(7,864,249)</u>	<u>(8,353,058)</u>	<u>(9,601,108)</u>	<u>(10,382,770)</u>	<u>(13,096,515)</u>	<u>(13,674,652)</u>	<u>\$ (15,871,722)</u>
<b>General Revenues</b>										
Governmental Activities:										
Property Taxes	\$ 6,691,670	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
Sales & Use Tax	2,586,493	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
Other Taxes	80,352	88,077	158,441	88,077	546,179	531,600	402,294	402,398	13,528	12,200
Franchise Taxes	1,157,165	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
Restricted Intergovernmental Revenue	699,273	744,405	1,113,434	975,848	1,393,807	746,012	379,744	-	-	-
Permits and Fees	35,510	18,252	21,647	25,573	21,893	49,630	71,455	177,883	261,890	245,055
Sales and Services	217,213	237,772	241,313	251,706	269,352	245,360	-	-	-	-
Investment Earnings	881,739	259,049	43,068	24,430	15,046	11,245	16,374	53,142	117,250	45,477
Miscellaneous	141,330	290,705	156,538	211,301	135,760	122,713	68,735	234,357	335,338	293,332
Transfers	-	-	-	-	-	-	(228,720)	-	138,947	26,474
Total Governmental Activities	<u>12,490,745</u>	<u>11,892,771</u>	<u>12,028,924</u>	<u>12,352,744</u>	<u>12,936,997</u>	<u>12,453,998</u>	<u>11,600,142</u>	<u>12,675,434</u>	<u>13,426,826</u>	<u>13,391,824</u>
Business-Type activities:										
Investment Earnings	867,850	451,425	31,163	22,068	18,426	15,033	34,318	157,767	277,173	85,509
Miscellaneous	4,680	29,639	9,884	12,455	17,332	9,625	158,183	91,806	64,501	101,689
Transfers	100,880	100,880	100,880	100,880	100,880	100,880	228,720	-	(138,947)	(26,474)
Total Business-Type Activities	<u>973,410</u>	<u>581,944</u>	<u>141,927</u>	<u>135,403</u>	<u>136,638</u>	<u>125,538</u>	<u>421,221</u>	<u>249,573</u>	<u>202,727</u>	<u>160,724</u>
Total Primary Government	<u>\$ 13,464,155</u>	<u>12,474,715</u>	<u>12,170,851</u>	<u>12,488,147</u>	<u>13,073,635</u>	<u>12,579,536</u>	<u>12,021,363</u>	<u>12,925,007</u>	<u>13,629,553</u>	<u>\$ 13,552,548</u>
<b>Change in Net Position:</b>										
Governmental Activities	\$ 2,843,714	1,419,086	1,671,529	1,777,774	1,918,085	1,536,098	(404,778)	(231,425)	1,685,888	\$ 166,773
Business-Type Activities	2,900,345	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)
Total Change in Net Position	<u>\$ 5,744,059</u>	<u>2,745,461</u>	<u>4,329,319</u>	<u>4,623,898</u>	<u>4,720,577</u>	<u>2,978,428</u>	<u>1,638,593</u>	<u>(171,508)</u>	<u>(45,099)</u>	<u>\$ (2,319,174)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	8,805	63,057	\$ 474,265
Restricted for Stabilization by State Statute	848,265	737,031	756,414	922,385	1,288,518	805,835	925,946	1,058,260	1,790,318	1,830,006
Restricted for Public Safety	115,110	70,951	78,158	106,326	114,910	97,471	131,935	115,235	-	-
Restricted for Streets	202,518	277,209	171,898	221,653	262,335	289,674	-	-	-	-
Restricted for Economic Development	-	-	-	-	-	-	7,906	19,577	-	-
Assigned - Subsequent Year's Expenditures	867,860	1,009,920	929,690	929,710	881,240	1,318,210	1,122,300	701,672	436,981	1,017,696
Unassigned	8,177,929	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
Total General Fund	<u>\$ 10,211,682</u>	<u>9,907,961</u>	<u>9,105,483</u>	<u>9,202,096</u>	<u>8,369,120</u>	<u>8,921,295</u>	<u>8,395,233</u>	<u>8,103,727</u>	<u>7,381,399</u>	<u>\$ 7,648,008</u>
All Non-Major Funds										
Nonspendable	\$ -	-	-	-	-	-	-	-	491	\$ 12,680
Restricted for Stabilization by State Statute	-	-	-	1,000	253,900	11,254	69,407	25,550	387,151	112,353
Restricted for General Government	-	-	-	-	-	-	-	-	1,428	3,689
Restricted for Economic Development	358,502	230,703	83,380	57,964	66,650	42,765	55,106	73,782	135,136	173,511
Restricted for Public Safety	-	-	-	-	-	3,191,465	189,615	52,786	110,261	43,673
Restricted for Cultural and Recreation	-	-	-	3,005	-	-	-	-	-	4,687
Restricted for Transportation	207,018	2,022,107	1,766,967	1,735,232	971,460	1,339,191	958,013	956,917	1,132,835	877,277
Committed - Organic Garden	-	-	-	-	-	-	-	-	-	3,230
Assigned - Subsequent Year's Expenditures	-	-	-	57,900	57,000	84,840	46,000	7,531	548,148	439,020
Assigned - Debt Service	-	-	-	-	-	-	-	-	508,419	146,344
Unassigned	-	-	-	(95,431)	(278,172)	-	-	-	(373,383)	(205,128)
Total All Non-Major Funds	<u>\$ 565,520</u>	<u>2,252,810</u>	<u>1,850,347</u>	<u>1,759,670</u>	<u>1,070,838</u>	<u>4,669,515</u>	<u>1,318,141</u>	<u>1,116,566</u>	<u>2,450,486</u>	<u>\$ 1,611,336</u>
Total All Governmental Funds	<u>\$ 10,777,202</u>	<u>12,160,771</u>	<u>10,955,830</u>	<u>10,961,766</u>	<u>9,439,958</u>	<u>13,590,810</u>	<u>9,713,374</u>	<u>9,220,293</u>	<u>9,831,885</u>	<u>\$ 9,259,344</u>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property Tax	\$ 6,691,670	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
Other Taxes	80,352	88,077	158,441	487,152	546,179	531,600	402,294	402,398	13,528	12,200
Unrestricted Intergovernmental	3,743,658	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
Restricted Intergovernmental	699,273	744,405	1,113,434	975,848	1,393,807	746,012	595,052	609,063	1,757,512	1,303,087
Permits and Fees	35,510	18,252	21,647	25,573	21,893	49,630	48,088	49,602	103,712	143,613
Sales and Services	217,213	237,772	241,313	251,706	269,352	245,360	414,073	480,028	566,479	518,672
Investment Earnings	881,739	259,049	43,068	24,430	15,046	11,966	16,335	53,094	117,250	45,476
Miscellaneous	141,330	290,705	156,538	211,301	135,760	141,763	272,522	188,331	272,567	301,644
<b>Total Revenues</b>	<b>\$ 12,490,745</b>	<b>11,892,771</b>	<b>12,028,924</b>	<b>12,352,744</b>	<b>12,936,997</b>	<b>12,473,769</b>	<b>12,830,040</b>	<b>13,707,246</b>	<b>15,712,532</b>	<b>\$ 15,376,848</b>
<b>Expenditures</b>										
Current:										
General Government	\$ 2,048,160	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
Public Safety	5,667,741	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
Transportation	2,059,788	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
Environmental Protection	1,083,802	649,406	527,228	557,500	495,238	463,889	547,571	9,107	21,508	139,054
Economic & Physical Development	901,266	390,748	453,538	262,751	405,416	310,160	453,223	431,801	510,737	542,179
Cultural and Recreation	259,368	903,431	588,305	200,772	237,833	200,928	215,403	715,098	803,433	818,336
Capital Outlay ^	-	-	-	-	-	-	-	-	1,993,434	2,257,810
Debt Service:										
Principal	323,333	323,333	373,333	373,333	423,333	423,333	723,333	723,333	830,273	832,133
Interest and Fees	189,739	207,856	232,928	219,650	200,890	185,869	352,972	324,613	300,938	270,328
<b>Total Expenditures</b>	<b>12,533,197</b>	<b>12,172,105</b>	<b>12,752,226</b>	<b>11,918,347</b>	<b>13,991,015</b>	<b>13,952,097</b>	<b>16,478,756</b>	<b>14,517,990</b>	<b>15,695,806</b>	<b>16,683,690</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (42,452)</b>	<b>(279,334)</b>	<b>(723,302)</b>	<b>434,397</b>	<b>(1,054,018)</b>	<b>(1,478,328)</b>	<b>(3,648,716)</b>	<b>(810,744)</b>	<b>16,726</b>	<b>\$ (1,306,842)</b>

^ 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Other Financing Sources (Uses):</b>										
Proceeds of Debt - GO Bonds	\$ -	2,100,000	-	-	-	-	-	-	-	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	6,000,000	-	242,500	78,533	655,000
Sale of Capital Assets	-	-	-	-	-	-	-	18,090	2,125	8,972
Insurance Recovery	-	-	-	-	-	-	-	57,073	96,383	43,855
<b>Operating Transfers From (To) Other Funds:</b>										
<b>Enterprise Fund:</b>										
Environmental Services Fund	(540,790)	(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)	(100,880)	-	138,947	26,474
Health & Welfare Fund	-	-	-	-	(81,640)	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	865,000	552,760	870,899	313,360	303,840	293,970	-	-	-	-
Capital Reserve Fund - General Fund Contribution	(870,323)	-	-	(245,472)	(1,100,266)	-	-	-	-	-
Capital Projects Fund - Wash Creek Project	-	(45,084)	-	-	-	-	-	-	-	-
Capital Projects Fund - Skate Park Project	(175,000)	(114,297)	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	-	-	-	(27,600)	-	-	-	-
Greenways Phase II Grant Fund	(202,000)	-	-	-	-	-	-	-	-	-
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	(494,805)	(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	877,128	(293,201)	(918,099)	-	-	-	-	-	-	-
	<u>(641,670)</u>	<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>
Net Change in Fund Balances	<u>\$ (684,122)</u>	<u>1,427,729</u>	<u>(1,211,782)</u>	<u>127,607</u>	<u>(2,258,409)</u>	<u>4,434,142</u>	<u>(3,625,860)</u>	<u>(493,081)</u>	<u>332,714</u>	<u>\$ (572,541)</u>
Capital Asset Expenditures	<u>\$ 2,534,977</u>	<u>1,563,982</u>	<u>2,021,203</u>	<u>847,347</u>	<u>2,348,420</u>	<u>2,815,434</u>	<u>4,064,359</u>	<u>1,333,272</u>	<u>2,031,608</u>	<u>\$ 2,298,582</u>
Debt Service as a Percentage of Noncapital Expenditures *	<u>5.1%</u>	<u>5.0%</u>	<u>5.6%</u>	<u>5.4%</u>	<u>5.4%</u>	<u>5.5%</u>	<u>8.7%</u>	<u>7.9%</u>	<u>8.3%</u>	<u>7.7%</u>

\* - 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						
2008	\$ 741,201,027	740,981,778	93,606,259	\$ 131,903,467	2008	\$ 8,099,431	\$ 1,699,593,100	0.71	\$ 1,713,299,496	99.2%
2009	771,675,117	754,677,553	84,719,211	123,978,975	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	1,188,044,352	295,320,200	121,051,969	130,347,339	2015	10,594,200	1,724,169,660	0.84	1,733,530,726	99.5%
2016	1,193,392,354	305,030,400	127,865,067	126,562,294	2016	13,449,401	1,739,400,714	0.86	1,844,539,463	94.3%
2017	\$ 1,196,545,514	302,388,200	136,782,391	\$ 117,221,370	2017	\$ 13,914,601	\$ 1,739,022,874	0.86	\$ 2,003,482,574	86.8%

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>City Direct Rates:</b>										
General Fund Rate	0.380	0.380	0.380	0.380	0.410	0.410	0.410	0.440	0.460	0.460
Main Street Tax District	0.250	0.250	0.250	0.250	0.280	0.280	0.280	0.280	0.280	0.280
Seventh Avenue District	0.080	0.080	0.080	0.080	0.120	0.120	0.120	0.120	0.120	0.120
<b>Total Direct Rate</b>	<b>0.710</b>	<b>0.710</b>	<b>0.710</b>	<b>0.710</b>	<b>0.810</b>	<b>0.810</b>	<b>0.810</b>	<b>0.840</b>	<b>0.860</b>	<b>0.860</b>
<b>County Rates:</b>										
Henderson County	0.462	0.462	0.462	0.462	0.5136	0.5136	0.5136	0.5136	0.5136	0.5650
Town of Fletcher	0.270	0.270	0.270	0.320	0.3250	0.3250	0.3250	0.3250	0.3400	0.3400
Town of Laurel Park	0.270	0.270	0.270	0.310	0.3600	0.3600	0.0360	0.3900	0.4300	0.4300
Town of Saluda	0.605	0.605	0.515	0.515	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050
Town of Mills River	0.075	0.075	0.075	0.075	0.0874	0.0974	0.0974	0.0974	0.1124	0.1800
Village of Flat Rock	0.075	0.075	0.075	0.075	0.0840	0.0840	0.0840	0.0840	0.1100	0.1100
<b>Fire (14) District Rates:</b>										
From Lowest	0.060	0.060	0.060	0.060	0.0650	0.0650	0.0650	0.0700	0.0800	0.0800
To Highest	0.115	0.115	0.115	0.115	0.1250	0.1250	0.1250	0.1250	0.1300	0.1300
<b>Special Purpose District Rates:</b>										
Main Street Tax District	0.250	0.250	0.250	0.250	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.080	0.080	0.080	0.080	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**

<b>Taxpayer</b>	<b>2017 Fiscal Year</b>			<b>2008 Fiscal Year</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Triangle Ballantyne Hendersonville, Inc.	\$ 25,185,900	1	1.45%	\$ -		0.00%
Ingles Markets, Inc	22,698,500	2	1.31%	10,454,600	8	0.62%
Morris Broadband LLC	18,038,131	3	1.04%			0.00%
Wal-Mart Real Estate Business Trust	17,541,300	4	1.01%	18,598,000	1	1.09%
Highland Investors, LTD	16,107,900	5	0.93%	14,907,800	2	0.88%
Boyd L. Hyder	15,438,000	6	0.89%	13,473,800	3	0.79%
First Citizens Bank	8,143,600	7	0.47%	9,349,100	9	0.55%
Duke Energy	12,231,550	8	0.70%	11,502,094	5	0.68%
Home Depot	11,131,415	9	0.64%	11,931,212	4	0.70%
Triangle Real Estate of Gastonia, Inc	11,114,800	10	0.64%	11,383,100	6	0.67%
Lake Pointe Landing	10,358,600		0.60%	-		0.00%
Stuart Rubin	7,126,500		0.41%	8,672,600	10	0.51%
Sam's Real Estate Business Trust	9,975,700		0.57%	-		0.00%
Lowes Home Centers, Inc	8,869,900		0.51%	10,910,700	7	0.64%
<b>Totals</b>	<b>\$ 193,961,796</b>		<b>11.17%</b>	<b>\$ 121,183,006</b>		<b>7.13%</b>

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
2008	\$ 5,952,337	490,571	6,442,908	\$ 6,314,694	98.01%	2008	\$ 109,047	\$ 6,423,741	99.70%
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%

Source: 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			
2008	\$ 900,000	-	2,450,000	790,000	-	19,791,377	\$ 23,931,377	625.6%	\$ 1,877
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	*	\$ 2,023

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**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2008	\$ 900,000	-	\$ 900,000	0.05%	\$ 71
2009	2,910,000	-	2,910,000	0.17%	224
2010	2,770,000	-	2,770,000	0.16%	211
2011	2,630,000	-	2,630,000	0.15%	200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	\$ 1,490,000	-	\$ 1,490,000	0.07%	\$ 106

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, 2017**

**UNAUDITED**

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
Henderson County	\$ 102,492,878	12.72%	\$ 13,037,094
Subtotal, Overlapping Debt			<u>13,037,094</u>
City of Hendersonville Direct			<u>7,400,294</u>
Total Direct and Overlapping Debt			<u><u>\$ 20,437,388</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 135,967,448	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
Total Net Debt Applicable to Debt Limit	23,741,378	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
Legal Debt Margin	<u>\$ 112,226,070</u>	<u>114,636,024</u>	<u>117,604,262</u>	<u>121,439,721</u>	<u>101,684,039</u>	<u>97,462,462</u>	<u>106,359,401</u>	<u>100,294,874</u>	<u>107,140,872</u>	<u>\$ 110,664,166</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>17.5%</u>	<u>16.9%</u>	<u>15.4%</u>	<u>13.5%</u>	<u>22.3%</u>	<u>25.3%</u>	<u>21.8%</u>	<u>26.2%</u>	<u>22.9%</u>	<u>20.5%</u>

**Legal Debt Margin Calculation for Fiscal Year**

Total Assessed Value	\$ 1,739,022,874
Debt Limit (8% of Total Assessed Value)	139,121,830
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	26,967,664
Total Bonded Debt	1,490,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>28,457,664</u>
Legal Debt Margin	<u>\$ 110,664,166</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<b>City Population</b>	<b>County Population</b>	<b>Personal Income (000's)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>		
						<b>County</b>	<b>State</b>	<b>U.S.</b>
2008	12,747	104,289	3,825,564	36,682	13,322	4.7%	6.2%	5.7%
2009	12,997	105,813	3,841,838	36,308	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,766,289	35,215	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,921,941	36,461	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	4,098,466	37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,540	3,842,493	35,122	13,491	4.9%	6.5%	5.9%
2015	13,663	111,149	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	*	*	13,241	3.6%	4.2%	4.4%

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**

<b>Employer</b>	<b>2017 Fiscal Year</b>			<b>2008 Fiscal Year</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Henderson County Schools	1,881	1	3.70%	1,683	1	13.47%
Pardee Hospital	1,450	2	2.85%	1,360	2	10.88%
Ingles	1,371	3	2.70%	766	3	6.13%
Park Ridge Hospital	1,177	4	2.31%	653	9	5.22%
Henderson County Government	810	5	1.59%	650	10	5.20%
Continental Automotive Systems	801	6	1.57%	-		
Meritor	602	7	1.18%	700	6	5.60%
Wilsonart International	582	8	1.14%	740	4	5.92%
Wal-Mart	455	9	0.89%	675	8	5.40%
Blue Ridge Community College	375	10	0.74%	-		
General Electric Lighting				725	5	5.80%
Steelcase, Incorporated				680	7	5.56%
<b>Totals</b>	<b>9,504</b>		<b>18.67%</b>	<b>8,632</b>		<b>69.18%</b>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
General Government:										
Administration	3	3	3	3	3	3	3	5	5	5
Finance	12	12	12	12	12	12	12	13	12	14
Support Services	10	11	11	11	12	14	14	15	13	14
Public Safety:										
Police	50	50	50	50	50	50	51	51	53	53
Fire	17	20	20	20	27	27	27	27	27	29
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	3	4
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	9	9	9	9	9	9	9	7	7	7
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	31	29	29	30
Business-Type Activities										
Water and Sewer Fund	62	63	63	63	64	65	65	65	68	72
Environmental Services Fund	10	10	10	10	12	14	14	14	15	15
Total	<u>195</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>211</u>	<u>216</u>	<u>217</u>	<u>219</u>	<u>222</u>	<u>232</u>

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

**UNAUDITED**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued:										
Residential	92	106	103	95	125	305	307	119	130	101
Commercial	50	76	226	252	147	112	90	87	110	110
Public Safety - Police										
Physical Arrests	2,735	2,175	2,120	1,667	1,539	1,646	1,544	1,602	2,723	1,195
Traffic Violations	3,624	3,815	2,997	2,720	2,482	2,631	2,664	2,250	2,017	2,040
Parking Violations	2,358	2,317	1,865	1,980	1,806	2,762	2,317	2,216	3,029	2,462
Public Safety - Fire										
Number of Fire Calls Answered	1,899	1,871	1,842	1,779	2,111	3,270	3,401	4,121	4,352	4,761
Inspections Conducted	534	1,066	1,997	883	502	478	370	583	955	1,679
Water										
Number of Service Connections	25,301	25,471	25,645	25,618	25,552	25,514	26,446	26,723	30,000	27,449
Average Daily Production in Gallons	7,246,825	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
Sewer										
Number of Service Connections	8,051	8,118	8,173	8,146	8,274	8,503	8,751	9,035	9,500	9,067
Average Daily Treatment in Gallons	2,399,544	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
Solid Waste										
Refuse Collected (Tons per Year)	4,324	4,152	3,885	3,550	3,325	3,293	3,353	3,519	3,438	3,325
Recycling Collections (Tons per Year)	1,021	1,083	2,195	1,040	645	744	848	928	1,033	1,106
Scrap Metal (Tons per Year)	-	-	17	13	1	3	3	6	12	23

Sources: Various City of Hendersonville Deaprtments

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CAPITAL ASSET STATISTICS BY FUNCTION**


**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Hendersonville										
Public Facilities/Buildings	3	3	3	3	4	5	5	5	5	1
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	34	38	38	38	38	38	39	39	30	30
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	1	2	2	2	2
Number of Fire Trucks	6	6	6	6	6	6	6	6	5	6
Public Service										
Streets (in Miles)	65.03	65.04	65.36	65.36	65.67	68.20	68.20	68.20	68.20	65.75
Street Lights (Leased)	1,398	1,428	1,433	1,428	1,428	1,479	1,501	1,515	1,515	1,520
Street Lights (Owned)	189	189	189	189	189	189	189	189	189	256
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)	575	578	581	640	620	634	637	640	653	623
Fire Hydrants	2,233	2,359	2,446	2,539	2,552	2,585	2,598	2,626	2,648	2,662
Sewer										
Sanitary Sewers (Miles)	160	165	167	175	176	177	178	178	180	160
Storm Sewers (Miles)	27	27	27	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	3	3	4	4	4	4

Sources: Various City of Hendersonville departments.





**COMPLIANCE  
SECTION**





CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program or Cluster Title:	State/Pass-Through Entity Identifying Number	State Expenditures
<b>STATE ASSISTANCE GRANTS</b>		
<b>NC DEPARTMENT OF TRANSPORTATION</b>		
Powell Bill Program		
Non-State System Street-Aid Allocation	DOT-4	\$ 383,681
Hendersonville Police CID-ICAC Project		27,301
Highway Planning and Construction - Oklawaha Greenway Phase 3 - WBS #50052.1.1 & #50052.3.1	STPEB-1413(15)	33,469
Bikeped Planning Project	SPR-413(016)	3,722
<b>TOTAL NC DEPARTMENT OF TRANSPORTATION</b>		<b><u>448,173</u></b>
<b>NC DEPARTMENT OF PUBLIC SAFETY</b>		
Fire Management Assistance Grant		<u>3,376</u>
<b>NC DEPARTMENT OF ENVIRONMENTAL QUALITY</b>		
Wastewater Asset Inventory and Assessment		<u>133,260</u>
<b>TOTAL ASSISTANCE</b>		<b><u>\$ 584,809</u></b>

There were no expenditures to subrecipients for the year ended June 30, 2017.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**YEAR ENDED JUNE 30, 2017**

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**A. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of State Awards (the “Schedule”) presents the activity of all state award programs of the City of Hendersonville, North Carolina (the “City”) for the year ended June 30, 2017. Expenditures for state financial assistance awarded directly from the 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**

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2017. 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.

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP  
Mauldin, South Carolina  
October 20, 2017



**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, 2017. 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; 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, 2017.

## 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.



Greene Finney, LLP  
Mauldin, South Carolina  
October 20, 2017

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

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**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, 2017

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Section II – Financial Statement Findings

**2016-001: PRIOR PERIOD ADJUSTMENT – CAPITAL ASSETS**

**Condition, Criteria,  
Context, Cause and  
Effect:**

In preparing for the 2016 audit (as the Finance department reviewed the City’s capital asset listing), the Finance department discovered that it had significantly misstated its capital asset balances in prior years for its governmental and business-type activities (enterprise funds). This misstatement was due to a number of capital assets not being recorded in the City’s capital asset system and others that had been disposed of which had never been removed from the City’s capital asset system. The City corrected these errors when they were discovered which resulted in a prior period adjustment. The City should have appropriate internal controls in place to ensure that all capital asset transactions have been properly recorded in a timely manner. Most of these capital asset changes went back many years and had inadvertently not been added/removed from the capital asset system. This resulted in the City’s net position being misstated in prior years.

**Status:** The City has taken the necessary steps to address this issue.

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**2016-002: CONSTRUCTION PAYABLE ACCRUAL**

**Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2016 audit, it was noted that the City had inadvertently failed to accrue a large construction payable at year end (even though it had been properly identified for accrual). This was adjusted by the City when brought to their attention during the 2016 audit. The City should have appropriate internal controls in place to ensure that all necessary accruals have been properly recorded in a timely manner. The City had properly identified the construction transaction that needed to be recorded, but inadvertently failed to accrue it.

**Response:** The City has taken the necessary steps to address this issue.

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**2016-003: FINANCIAL STATEMENT PREPARATION**

**Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2016 audit, it was noted that a number of items in the prior year financial statements did not get properly updated or did not agree to the City’s books and records:

- The Law Enforcement Officers Special Separation Allowance and Other Postemployment Benefit Plan (Health Care Plan) amounts and disclosures were not properly updated in the prior year financial statements.
- The City was unable to support some of the expenditure balances presented in the Schedule of Expenditures of Federal and State Expenditures (“SEFSA”) in the prior year financial statements. The City also had to make several adjustments to the SEFSA during the 2016 audit to properly comply with State and Federal Single Audit Requirements.
- The prior year financial statements recognized a higher state revolving loan issuance amount for Wolfpen Sewer project than what was actually drawn down. This amount was corrected by running the adjustment through the current year (since it was not significant).

The City should ensure that the annual financial statements and the SEFSA are prepared in accordance with generally accepted accounting principles and the State and Federal Single Audit requirements (as appropriate). The City was not fully aware of all of the reporting and compliance requirements related to the items noted above.

**Response:** The City has taken the necessary steps to address this issue.



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

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**Section II – Financial Statement Findings (Continued)**

**2016-004: PROCUREMENT CARD (“P-CARD”) TRANSACTIONS**

**Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2016 audit, it was noted that the City needs to ensure that all P-Card transactions are properly authorized and approved by the appropriate parties. The City should have appropriate internal controls in place to ensure that P-Card transactions are being properly authorized and approved by the appropriate parties to mitigate against the risk of error or fraud. There were a number of instances where no one approved the department heads purchases. Also, procurement card approval for departmental employees is not always being done at the appropriate level (i.e. administrative assistants, administrative staff, etc.) – as the department head or assistant department head should generally be responsible for these approvals. We also noted that the City has way too many procurement cards (over 120) for a City of its size – as over half of the employees of the City have a procurement card.

**Response:** The City has made significant improvements to its procurement card program during fiscal year 2017 and looks to strengthen the program further in the coming years.

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**2016-005: PURCHASING TRANSACTIONS**

**Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2016 audit, we noted a number of purchasing transactions whereby the City did not comply with its own policy (and in some instances with State requirements). The City should have appropriate internal controls in place to ensure that purchasing transactions are consistent and in accordance with the City’s purchasing policy. The purchasing policy was designed to properly meet state and local requirements and to protect the City and its employees from improper or preferential purchases. There were a number of instances where (a) invoices were sent with the purchase requisitions, (b) no purchase orders were obtained, (c) there were no bids obtained, and (d) general non-compliance with other aspects of the City’s purchasing policy.

**Response:** The City has made significant improvements in complying with its procurement code during fiscal year 2017 and looks to strengthen its compliance further in the coming years.

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**2016-006: UNALLOWABLE INVESTMENTS**

**Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2016 audit and based on communications from the State Treasurer, it was noted that the City had investments in revenues bonds with local governments within North Carolina. Unfortunately, investments in revenue bonds with local governments within North Carolina are not an allowable investment as they are not considered bonds and notes per Article 3 of Chapter 159. The City should only invest its funds in those items as noted in Article 3 of Chapter 159 of the North Carolina Statutes. The City and its banker were not aware of the unique investment requirements related to revenue bonds.

**Response:** The City has taken the necessary steps to address this issue.

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**Section III – State Award Findings and Questioned Costs**

None reported.