



**CITY OF HENDERSONVILLE**  
**CITY COUNCIL SECOND MONTHLY MEETING**  
City Hall - 2nd Floor Chambers | 160 Sixth Ave. E. | Hendersonville NC 28792  
Wednesday, February 24, 2021 – 4:00 PM

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**AGENDA**

**1. CALL TO ORDER**

**2. CONSIDERATION OF AGENDA**

**3. PRESENTATIONS**

A. Presentation of the 2019-2020 Fiscal Year Audit – *John Buchanan, Finance Director*

**4. DISCUSSION**

A. Discussion and Staff Direction Regarding Amending the Current Stormwater Utility Fee Structure – *Mike Huffman, Stormwater Administrator*

**5. ADJOURN**

**6.**

*The City of Hendersonville is committed to providing accessible facilities, programs and services for all people in compliance with the Americans with Disabilities Act (ADA). Should you need assistance or an accommodation for this meeting please contact the City Clerk no later than 24 hours prior to the meeting at 697-3005.*



## CITY OF HENDERSONVILLE AGENDA ITEM SUMMARY

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**SUBMITTER:** John Connet/ John Buchanan      **MEETING DATE:** 02/24/21

**AGENDA SECTION:** Presentation Only      **DEPARTMENT:** Finance

**TITLE OF ITEM, Presenter Name, Title:** Presentation of the 2019-2020 Fiscal Year Audit – *John Buchanan, Finance Director*

**SUGGESTED MOTION(S):** NA

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### SUMMARY:

David Phillips, CPA with Greene Finney, LLP will present the 2019-2020 Fiscal Year Audit to the City Council.

**BUDGET IMPACT:** \$ NA

**Is this expenditure approved in the current fiscal year budget?** YES / NO

**If no, describe how it will be funded.**

**PROJECT NUMBER:** N/A

**PETITION NUMBER:** N/A

**ADDITIONAL PETITION NUMBER:** N/A

**PETITIONER NAME:** N/A

### ATTACHMENTS:

Draft Audit Document



# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

February 18, 2021

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville (the “City”) for the year ended June 30, 2020 (“2020”). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the City’s financial statements were:

Management’s estimates of the useful lives of capital assets and the resulting depreciation expense are based on historical data and industry standards. Management’s estimate of receivable and allowance for uncollectible balances are based on currently known information and historical collection rates. Management’s estimate of the pension and OPEB balances are based on actuarial valuations (actuarial valuation assumptions are based on accounting requirements, actuarial standards, current plan design, past experience, industry norms, and future trends) prepared and certified by independent actuaries. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that may or may not cause future financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, a schedule of all adjusting and reporting journal entries is attached.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 18, 2021.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis, the pension plan schedules, and the OPEB plan schedule which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information and the schedule of expenditures of federal and state awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or the statistical section which accompany the financial statements but are not RSI. Such information has 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 it.

**Restriction on Use**

This information is intended for the information and use of the Mayor, City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Greene Finney, LLP". The signature is written in a cursive, flowing style.

Greene Finney, LLP  
Certified Public Accountants



2/16/2021 10:32PM

Entry #	Status	Account/Code	Description	Debit	Credit
AJE 1	Posted	060-0000-151010-00000-000-000	Deferred OPEB Outflow GASB 75	333,445.00	
		060-0000-295003-00000-000-000	Post Employment Benefits	6,683.00	
		060-0000-289002-00000-000-000	OPEB Liability		255,092.00
		060-7050-502051-00000-100-000	OPEB Expense		85,036.00
		068-0000-151010-00000-000-000	Deferred OPEB Outflow GASB 75	26,755.00	
		068-0000-295003-00000-000-000	Post Employment Benefits	631.00	
		068-0000-295004-00000-000-000	OPEB Liability Balance		32,578.00
		068-7855-502051-00000-130-000	OPEB Expense	5,192.00	
		NonAudit Services Entry: To record changes in other postemployment benefit ("OPEB") balances for 2020.			
AJE 2	Posted	060-0000-150020-00000-000-000	Deffered Pension Outflows		136,812.00
		060-0000-289001-00000-000-000	Net Pension Liability		398,240.00
		060-0000-290001-00000-000-000	Unfunded Pension Obligation	6,152.00	
		060-1008-502052-00000-100-000	Pension Expense	61,220.00	
		060-1014-502052-00000-100-000	Pension Expense	40,622.00	
		060-1521-502052-00000-100-000	Pension Expense	9,881.00	
		060-7002-502052-00000-100-000	Pension Expense	77,921.00	
		060-7035-502052-00000-100-000	Pension Expense	55,171.00	
		060-7050-502052-00000-100-000	Pension Expense	59,437.00	
		060-7055-502052-00000-100-000	Pension Expense	76,943.00	
		060-7132-502052-00000-100-000	Pension Expense	42,531.00	
		060-7135-502052-00000-100-000	Pension Expense	49,550.00	
		060-7155-502052-00000-100-000	Pension Expense	55,624.00	
		068-0000-150020-00000-000-000	Deffered Pension Outflows		24,327.00
		068-0000-289001-00000-000-000	Net Pension Liability		37,234.00
		068-0000-290001-00000-000-000	Unfunded Pension Obligation	831.00	
		068-1521-502052-00000-130-000	Pension Expense	1,906.00	
		068-7855-502052-00000-130-000	Pension Expense	58,824.00	
		NonAudit Services Entry: To record changes in pension balances for 2020.			

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Entry #	Status	Account/Code	Description	Debit	Credit
AJE 3	Posted	010-0000-111999-00000-000-001	Pooled Cash Balance		394.80
		860-0000-111999-00000-000-001	Pooled Cash Balance		1,579.20
		080-0000-111999-00000-000-001	Pooled Cash Balance	1,974.00	
		001-0000-200999-00000-000-010	Pooled Cash Balance To Funds	394.80	
		001-0000-200999-00000-000-060	Pooled Cash Balance To Funds	1,579.20	
		001-0000-200999-00000-000-080	Pooled Cash Balance To Funds		1,974.00
		010-1300-460040-00000-020-000	Special Events - Nontaxable	394.80	
		860-7032-460040-00000-100-000	Special Events - Nontaxable	226.74	
		860-7050-460040-00000-100-000	Special Events - Nontaxable	226.74	
		860-7055-460040-00000-100-000	Special Events - Nontaxable	604.64	
		860-7132-460040-00000-110-000	Special Events - Nontaxable	111.66	
		860-7150-460040-00000-110-000	Special Events - Nontaxable	111.66	
		860-7155-460040-00000-110-000	Special Events - Nontaxable	297.76	
		080-0000-460040-00000-000-000	Special Events - Nontaxable		16,089.31
		080-3101-460040-00000-060-000	Special Events - Nontaxable	14,115.31	
		860-1014-501001-00000-100-000	Salaries - Regular	30,833.78	
		860-1014-502001-00000-100-000	Fica Tax Expense	1,869.27	
		860-1014-502005-00000-100-000	Group Med & Life Ins	6,398.91	
		860-1014-502050-00000-100-000	Retirement Expense	2,805.87	
		867-7555-501001-00000-140-000	Salaries - Regular		30,833.78
		867-7555-502001-00000-140-000	Fica Tax Expense		1,869.27
		867-7555-502005-00000-140-000	Group Med & Life Ins		6,398.91
		867-7555-502050-00000-140-000	Retirement Expense		2,805.87
		001-0000-200999-00000-000-067	Pooled Cash Balance To Funds		41,907.83
		001-0000-200999-00000-000-060	Pooled Cash Balance To Funds	41,907.83	
		867-0000-111999-00000-000-001	Pooled Cash Balance	41,907.83	
		860-0000-111999-00000-000-001	Pooled Cash Balance		41,907.83
		010-0000-230001-00000-000-000	Salaries & Wages Payable		48,190.29
		021-0000-230001-00000-000-000	Salaries & Wages Payable		70.87
		860-0000-230001-00000-000-000	Salaries & Wages Payable		9,253.81
		868-0000-230001-00000-000-000	Salaries & Wages Payable		1,006.73
		010-1002-501010-00000-010-000	Salaries - Overtime	687.38	
		010-1008-501010-00000-010-000	Salaries - Overtime	275.56	
		010-1200-501010-00000-020-000	Salaries - Overtime	381.98	
		010-1300-501010-00000-020-000	Salaries - Overtime	2,638.84	
		010-1400-501010-00000-020-000	Salaries - Overtime	1,206.66	
		010-1502-501010-00000-030-000	Salaries - Overtime	138.56	
		010-1523-501010-00000-010-000	Salaries - Overtime	70.48	
		010-1525-501010-00000-060-000	Salaries - Overtime	2,088.07	
		010-1555-501010-00000-030-000	Salaries - Overtime	52.36	
		010-1560-501010-00000-030-000	Salaries - Overtime	259.94	
		021-2202-501010-00000-050-000	Salaries - Overtime	70.87	
		860-1002-501010-00000-100-000	Salaries - Overtime	687.38	
		860-1008-501010-00000-100-000	Salaries - Overtime	832.60	
		860-1010-501010-00000-100-000	Salaries - Overtime	868.00	
		860-1014-501010-00000-100-000	Salaries - Overtime	134.49	
		860-1521-501010-00000-010-000	Salaries - Overtime	1,764.16	
		860-7002-501010-00000-100-000	Salaries - Overtime	240.95	
		860-7032-501010-00000-100-000	Salaries - Overtime	437.38	
		860-7035-501010-00000-100-000	Salaries - Overtime	1,324.60	
		860-7055-501010-00000-100-000	Salaries - Overtime	128.99	
		860-7055-501010-00000-100-000	Salaries - Overtime	2,413.86	
		860-7132-501010-00000-110-000	Salaries - Overtime	355.41	
		860-7150-501010-00000-110-000	Salaries - Overtime	65.99	
		868-7855-501010-00000-130-000	Salaries - Overtime	1,006.73	
		010-1300-501011-00000-020-000	Salaries - Holiday Pay	40,390.46	
		010-0000-230001-00000-000-000	Salaries & Wages Payable		6,227.28
		860-0000-230001-00000-000-000	Salaries & Wages Payable		6,227.28
		010-1002-501001-00000-010-000	Salaries - Regular	6,227.28	
		860-7002-501001-00000-100-000	Salaries - Regular	6,227.28	
		868-0000-122113-00000-000-000	A/R - Federal/State Grant Funds	2,625.92	
		868-0000-430803-00000-130-000	Solid Waste Disposal Tax		2,625.92
Client Closing Entries					
AJE 4	Posted	301-1008-122113-11900-000-000	A/R - Federal/State Grant Funds		14,639.05
		301-1008-296150-11900-000-000	Unavailable Revenue - Note Receivable	14,639.05	
		301-0000-111999-00000-000-001	Pooled Cash Balance	14,639.05	
		301-1008-539990-11900-010-000	FEMA Reimbursable Expenditures		14,639.05
		010-1400-539990-00000-020-000	FEMA Reimbursable Expenditures	14,639.05	
		010-0000-296150-00000-000-000	Unavailable Revenue - Note Receivable		14,639.05
		010-0000-122113-00000-000-000	A/R - Federal/State Grant Funds	14,639.05	
		010-0000-111999-00000-000-001	Pooled Cash Balance		14,639.05
		001-0000-200999-00000-000-010	Pooled Cash Balance To Funds	14,639.05	
		001-0000-200999-00000-000-301	Pooled Cash Balance To Funds		14,639.05
		410-1014-550103-17013-030-000	Capital Outlay - CIP		1,950.00
		010-1555-521040-00000-030-000	Construction & Repair Supplies	1,950.00	
		410-0000-111999-00000-000-001	Pooled Cash Balance	1,950.00	
		010-0000-111999-00000-000-001	Pooled Cash Balance		1,950.00
		001-0000-200999-00000-000-410	Pooled Cash Balance To Funds		1,950.00
		001-0000-200999-00000-000-010	Pooled Cash Balance To Funds	1,950.00	
		301-0000-470100-00000-000-000	Transfers In	70,000.00	
		301-0000-470100-18007-000-000	Transfer In		70,000.00
		410-0000-470010-18020-000-000	Installment Purchase/Debt Obligations	943.57	
		410-0000-450001-18020-000-000	Interest Income		943.57
Client Closing Entries					

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Entry #	Status	Account/Code	Description	Debit	Credit
AJE 5	Posted	460-0000-121022-16012-000-000	A/R - Loan Proceeds		178,497.39
		060-0000-280015-00000-000-000	Notes Payable - Multi Area Streambank	178,497.39	
		460-0000-598999-16012-000-000	GASB Transfers	178,497.39	
		060-0000-598999-00000-099-460	GASB Transfers		178,497.39
		960-0000-121022-16012-000-000	A/R - Loan Proceeds		178,497.39
		960-0000-296150-00000-000-000	Unavailable Revenue - Note Receivable	103,540.69	
		960-0000-470010-16012-000-000	Installment Purchase/Debt Obligations	74,956.70	
		Client Entry: To adjust the SRF Streambank loan balance and the receivable.			
AJE 6	Posted	060-0900-560500-00000-070-000	Debt Interest		117,272.32
		060-0000-215000-00000-000-000	Accrued Interest Payable	117,272.32	
		068-0900-560500-00000-070-000	Debt Interest		321.25
		068-0000-215000-00000-000-000	Accrued Interest Payable	321.25	
		Client Entry: To adjust accrued interest.			
AJE 7	Posted	021-0000-450001-00000-000-000	Interest Income		107.14
		021-0000-121001-00000-000-000	Interest Receivable	107.14	
		010-0000-450001-00000-000-000	Interest Income		8,617.25
		010-0000-121001-00000-000-000	Interest Receivable	8,617.25	
		020-0000-450001-00000-000-000	Interest Income		108.84
		020-0000-121001-00000-000-000	Interest Receivable	108.84	
		860-0000-450001-00000-000-000	Interest Income		8,022.01
		860-0000-121001-00000-000-000	Interest Receivable	8,022.01	
		867-0000-450001-00000-000-000	Interest Income		8.50
		867-0000-121001-00000-000-000	Interest Receivable	8.50	
		868-0000-450001-00000-000-000	Interest Income		142.86
		868-0000-121001-00000-000-000	Interest Receivable	142.86	
		Client Entry: To adjust interest receivable.			
TOTALS				2,008,763.14	2,008,763.14

Entry #	Status	Account/Code	Description	Debit	Credit
RJE 1	Posted	RE 010-9999-225000-00000-000-000	Reporting - Deferred Tax Revenues - G	245,149.00	
		010-9999-226000-00000-000-000	Reporting - Deferred Revenues - Other	123,834.00	
		010-9999-300000-00000-000-000	Reporting - Property Tax Revenue - Ge		3,527.00
		010-9999-321000-00000-000-000	Reporting - Public Safety - Operating		18,840.00
		010-9999-341000-00000-000-000	Reporting - Environmental Protection		104,994.00
		010-9999-250000-00000-000-000	Reporting - Unrestricted Net Position		227,746.00
		010-9999-251000-00000-000-000	Reporting - Restricted Net Position -		13,876.00
		To record the change in property tax and grants receivables.			
RJE 2	Posted	RE 010-9999-151000-00000-000-000	Reporting - Depreciable Capital Asset	29,654,845.00	
		010-9999-260000-00000-000-000	Reporting - Net Investment in Capital		29,654,845.00
		To record the beginning capital asset balance for governmental activities.			
RJE 3	Posted	RE 010-9999-151000-00000-000-000	Reporting - Depreciable Capital Asset	2,833,501.00	
		010-9999-410000-00000-000-000	Reporting - General Government - Capi		179,109.00
		010-9999-420000-00000-000-000	Reporting - Public Safety - Capital A		1,588,888.00
		010-9999-430000-00000-000-000	Reporting - Transportation - Capital		99,249.00
		010-9999-450000-00000-000-000	Reporting - Economic and Physical Dev		315,226.00
		010-9999-460000-00000-000-000	Reporting - Culture and Recreational		651,029.00
		To record the additions expensed in the current year governmental statement that will need to be capitalized.			
RJE 4	Posted	RE 010-9999-411000-00000-000-000	Reporting - General Government - Depr	374,369.00	
		010-9999-421000-00000-000-000	Reporting - Public Safety - Depreciat	597,837.00	
		010-9999-431000-00000-000-000	Reporting - Transportation - Deprecia	714,333.00	
		010-9999-451000-00000-000-000	Reporting - Economic and Physical Dev	12,498.00	
		010-9999-461000-00000-000-000	Reporting - Culture and Recreational	162,944.00	
		010-9999-151000-00000-000-000	Reporting - Depreciable Capital Asset		1,861,981.00
		To record the current year depreciation expense by function.			
RJE 5	Posted	RE 010-9999-360000-00000-000-000	Reporting - Gains (Losses) on Dispos	12,353.00	
		010-9999-151000-00000-000-000	Reporting - Depreciable Capital Asset		12,353.00
		To record disposal of capital assets.			
RJE 6	Posted	RE 010-9999-251000-00000-000-000	Reporting - Restricted Net Position -	70,541.00	
		010-9999-210000-00000-000-000	Reporting - Accrued Interest Payable		70,541.00
		010-9999-900000-00000-000-000	Reporting - Interest and Fiscal Charg	10,862.00	
		010-9999-210000-00000-000-000	Reporting - Accrued Interest Payable		10,862.00
		To record accrued interest and the change during the year.			
RJE 7	Posted	RE 010-9999-260000-00000-000-000	Reporting - Net Investment in Capital	8,949,261.00	
		010-9999-250000-00000-000-000	Reporting - Unrestricted Net Position	6,078,544.00	
		010-9999-220000-00000-000-000	Reporting - Compensated Absences		737,886.00
		010-9999-231000-00000-000-000	Reporting - Due in More than One Year		14,289,919.00
		To record long-term obligations and the activity during the year.			
RJE 8	Posted	RE 010-9999-900000-00000-000-000	Reporting - Interest and Fiscal Charg	12,021,478.00	
		010-9999-231000-00000-000-000	Reporting - Due in More than One Year		12,021,478.00
		010-9999-412000-00000-000-000	Reporting - General Government - Comp	47,568.00	
		010-9999-220000-00000-000-000	Reporting - Compensated Absences		47,568.00
		To record any increase in long-term obligations/comp abs.			
RJE 9	Posted	RE 010-9999-231000-00000-000-000	Reporting - Due in More than One Year	793,074.00	
		010-9999-900000-00000-000-000	Reporting - Interest and Fiscal Charg		793,074.00
		To record any principal payments on long-term obligations made during the year.			
RJE 10	Posted	RE 010-9999-231000-00000-000-000	Reporting - Due in More than One Year	1,266,614.00	
		010-9999-230000-00000-000-000	Reporting - Due within One Year		1,266,614.00
		To setup the current portion of long-term obligations.			

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Entry #	Status	Account/Code	Description	Debit	Credit
RJE 11	Posted	RE 010-9999-239000-00000-000-000	Reporting - Deferred Pension Charges	2,257,585.00	
		010-9999-241000-00000-000-000	Reporting - Deferred Pension Credits		99,903.00
		010-9999-222000-00000-000-000	Reporting - Deferred OPEB Charges	116,394.00	
		010-9999-223000-00000-000-000	Reporting - Deferred OPEB Credits		44,401.00
		010-9999-250000-00000-000-000	Reporting - Unrestricted Net Position		2,229,675.00
		010-9999-413000-00000-000-000	Reporting - General Government - Pens	135,670.00	
		010-9999-423000-00000-000-000	Reporting - Public Safety - Pension E	745,579.00	
		010-9999-433000-00000-000-000	Reporting - Transportation - Pension	81,739.00	
		010-9999-453000-00000-000-000	Reporting - Economic and Physical Dev	14,872.00	
		010-9999-463000-00000-000-000	Reporting - Culture and Recreational	45,042.00	
		010-9999-231000-00000-000-000	Reporting - Due in More than One Year		438,655.00
		010-9999-239000-00000-000-000	Reporting - Deferred Pension Charges		279,485.00
		010-9999-241000-00000-000-000	Reporting - Deferred Pension Credits	27,358.00	
		010-9999-231000-00000-000-000	Reporting - Due in More than One Year		124,436.00
		010-9999-222000-00000-000-000	Reporting - Deferred OPEB Charges	531,716.00	
		010-9999-223000-00000-000-000	Reporting - Deferred OPEB Credits	2,292.00	
		010-9999-231000-00000-000-000	Reporting - Due in More than One Year		741,692.00
To record the beginning balances for the pension and OPEB liabilities and related accounts and the current year activity.					
TOTALS				67,927,852.00	67,927,852.00

# **CITY OF HENDERSONVILLE, NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2020**

*Item A.*

DRAFT

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2020**



Prepared By: Finance Department  
John P. Buchanan, CPA, CLGFO  
Finance Director

*Item A.*

DRAFT

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# **INTRODUCTORY SECTION**



CITY COUNCIL:  
 BARBARA G. VOLK  
 Mayor  
 JERRY A. SMITH, JR  
 Mayor Pro Tem  
 JEFF MILLER  
 DR. JENNIFER HENSLEY  
 LYNDSEY SIMPSON

# CITY OF HENDERSONVILLE

*The City of Four Seasons*



Item A.  
 JOHN F. CONNET  
 City Manager  
 ANGELA S. BEEKER  
 City Attorney  
 ANGELA REECE  
 City Clerk

February 18, 2021

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

North Carolina General Statute 159-34 states that “each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards.” Pursuant to that requirement, it is our pleasure to present the Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2020.

This report consists of management’s representations concerning the finances of the City of Hendersonville (“City”). 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 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’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the City’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’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 for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2020 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 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’s MD&A can be found immediately following the independent auditor’s report.

## Profile of the Government

The City was chartered in 1847 and is located in Henderson County in western North Carolina. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2020 population of the City, as provided by the North Carolina Office of State Budget and Management is 14,277.

The City encompasses an area of 6.97 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 52 inches, average high summer temperature of 81 degrees, average high winter temperature of 49 degrees and average snowfall of 9 inches, Hendersonville is known as the "*City of Four Seasons*." This moniker was given to the City more than 50 years ago by a local weatherman, the late Kermit Edney.

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

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

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City'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 operates. This past year saw significant uncertainty due to the COVID-19 pandemic. The City made adjustments mid-year to expenditures and expected revenues due to the potential impacts. The overall impact of COVID-19 on the City's financial condition was minimal. Hendersonville's financial position remains strong and should remain strong in the foreseeable future.

## Local Economy

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

It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. The City worked with local businesses this past year to develop ways to mitigate the impacts of COVID-19. Some of the solutions included allowing more outside seating for restaurants and closing Main Street to vehicle traffic to encourage people to visit downtown with more space for social distancing.

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

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

Several industrial parks are located within the County in addition to sites with quality infrastructure and access. Facilities added or announced include an Amazon and Lowe’s distribution facility and large greenhouse facility. 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.

Henderson County has a labor force of approximately 53,364 persons including approximately 5,670 individuals working in manufacturing businesses. North Carolina is a right-to-work state; therefore, Henderson County virtually has no unionization. Unemployment in Henderson County was 7.5% at June 30, 2020. This was an increase over the prior year due to impacts from COVID-19.

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

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

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

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

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

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

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

The City established an Available Fund Balance policy with a goal for percent available fund balance for the General Fund to be at a minimum of fifty percent (50%) of the City’s population group average percent available fund balance. Furthermore, the City Council hereby establishes a goal for the Water and Sewer Fund percent available fund balance to range between fifty to seventy-five percent (50%-75%). The City will adjust this goal as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City’s financial outlook.

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

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

Sound infrastructure is one of the top priorities of the City. A major goal for the City 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 2020, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road.

During the fiscal year the work was completed on redevelopment of the Grey Hosiery Mill and streetscape improvements of the surrounding area. This project is part of the City's initiative to advance growth that will provide a connection between the Main Street and Seventh Avenue districts. The City entered into an agreement with Belmont Sayre for a public private partnership to convert the mill to apartments, including units designated as workforce housing. This redevelopment project preserved the original 1915 historic portion of the mill using tax credits and began renting apartments in early 2020.

The Mud Creek Dump project continued during fiscal year 2020 in order to conduct an environmental assessment and remediation of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The City will receive reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City started construction on a new Police Department headquarters in fiscal year 2020 that will be located near the Seventh Avenue district. The new headquarters is a major component of plans to help revitalize the Seventh Avenue district and surrounding areas. The project will be funded through a loan with the United States Department of Agriculture Community Facilities Program.

The Main Street Service District completed the project to add public restrooms for the Main Street corridor. The property for the project was purchased in fiscal year 2019 and the facility opened in November of 2019. The Henderson County Tourism Development Authority contributed a portion of the funds for this project.

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

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

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2020 including the following:

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

**Water Treatment Plant High-Service Pump Project** - This project was completed and consisted of upgrading all four high service pumps/motors with new, high efficiency pump/motors along with the addition of VFDs (variable frequency drives) on each motor providing for an even greater efficiency of operation of these pumps, which supply treated water to the City distribution system and to our customers.

The Etowah Water System Improvement project continued in fiscal year 2020. This project will include the installation of approximately 14,000-ft. of 12-inch ductile iron water main from the proposed booster pumping station to be located adjacent to Morgan Rd. in the Etowah area. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd. These improvements should allow the City to remove several hydro-pneumatic pump stations currently boosting water pressure at some of the higher elevations of the City's water system in the Etowah area. This project is expected to be completed in March 2021.

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

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

Northside Water System Improvements Project – This project involves the installation of 16-inch water main, a booster pumping station and 1.0-MG ground storage tank. This project will increase the pressure in the area in addition to adding more water storage capacity in that portion of Henderson County. Construction started in June 2020 and is expected to be complete by mid-2021.

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

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

The City's NPDES Phase II MS4 Permit issued by the NC Department of Environmental Quality, requires the City to satisfy six minimum control measures as part of a comprehensive stormwater management program. The goal of two of these measures, Public Education and Outreach and Public Participation/Involvement, are to foster an active, involved, informed, and knowledgeable community, which is crucial to a successful stormwater management program. Some of the programs supported by the stormwater fund to meet these goals include the rain barrel program, “Trash Trout” stream trash collection, stormwater workshops, and stream clean-up events. During fiscal year 2020, the Stormwater Fund worked on City projects at the Maintenance Building and Patton Park that provide a great example of green alternatives for stormwater management.

### **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 for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019. This was the 30th consecutive year the City 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, City Manager and Assistant City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City.

Sincerely,



John Buchanan, CPA, CLGFO  
Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF**  
**YEAR ENDED JUNE 30, 2020**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Jerry A. Smith, Jr.

Jeffery Lane Miller

Dr. Jennifer Hensley

Lyndsey Simpson

CITY STAFF

City Manager – John F. Connet

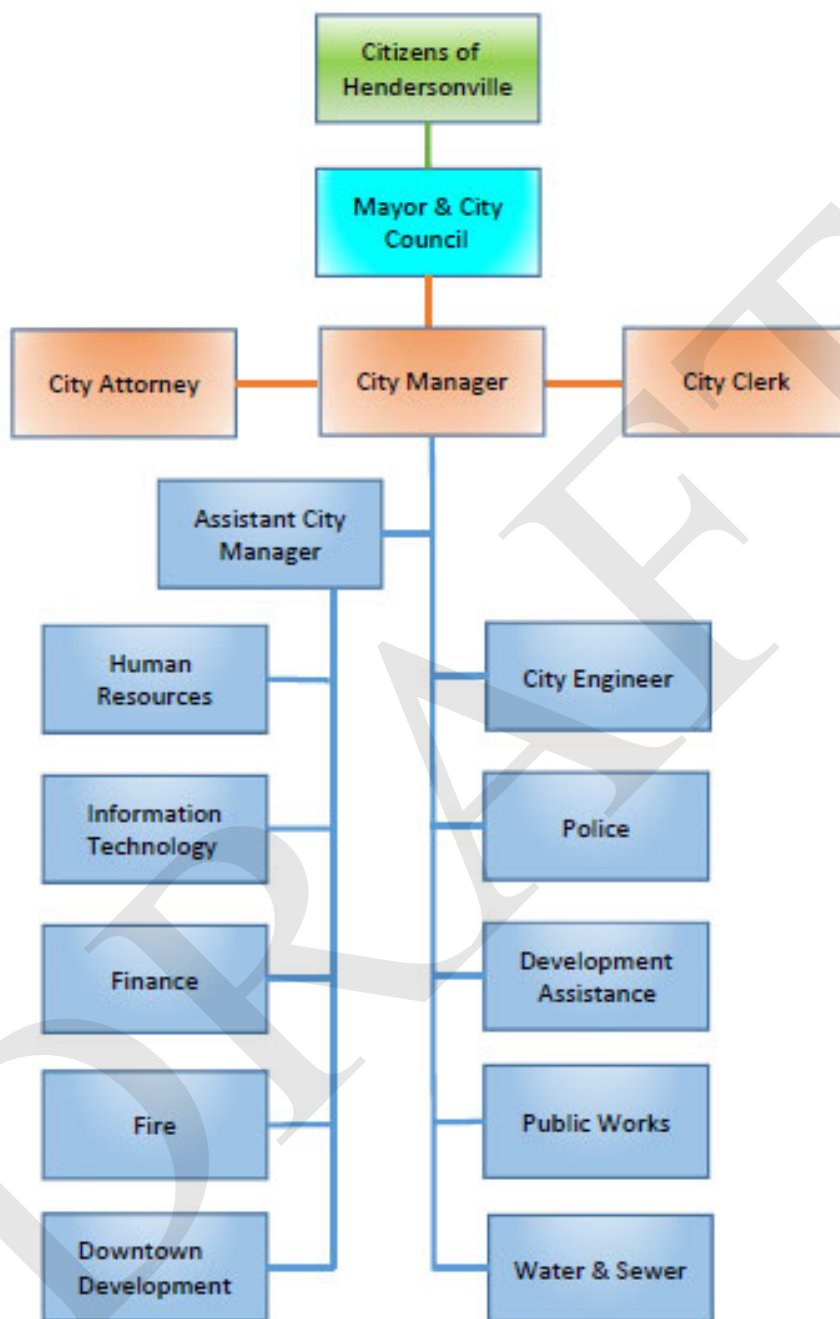
Assistant City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director – John P. Buchanan, CPA, CLGFO

# CITY OF HENDERSONVILLE ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Hendersonville  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrell*

Executive Director/CEO

# **FINANCIAL SECTION**



## 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, 2020, 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"), which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. 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, 2020, 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.

**Other Matters***Required Supplementary Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
February 18, 2021

## CITY OF HENDERSONVILLE, NORTH CAROLINA

Item A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED JUNE 30, 2020

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, 2020 ("2020" or "FY 2020") compared to the year ended June 30, 2019 ("2019" or "FY 2019"). The intent of this management's discussion and analysis ("MD&A") is to look at the City's financial performance as a whole, with an emphasis on the Primary Government (which excludes the City's discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding of the City's overall financial performance.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$103,564,000 (total net position for the Primary Government).
- The City's total net position for FY 2020 increased by approximately \$1,770,000 over the prior year balance in large part due to an increase in the net position of the business-type activities of approximately \$2,129,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$19,119,000, an increase of approximately \$10,816,000 or 130% from the prior year. The increase is primarily due to the issuance of debt of approximately \$11,500,000.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$4,160,000. The unassigned fund balance for the General Fund is approximately \$4,692,000 which is 26% of total General Fund budgeted expenditures for the upcoming fiscal year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

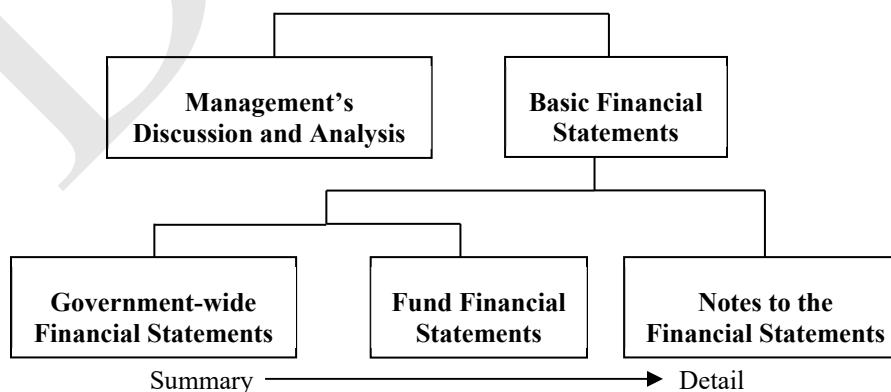
The City's annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

## Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)****Financial Statements (Continued)**

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

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

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

**Government-wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

## 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

Item A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

## City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and Other Assets	\$ 9,662,241	21,249,693	18,333,553	20,301,591	27,995,794	\$ 41,551,284
Capital Assets	29,654,845	30,614,012	79,578,299	87,398,585	109,233,144	118,012,597
Total Assets	39,317,086	51,863,705	97,911,852	107,700,176	137,228,938	159,563,881
Deferred Pension Charges	2,257,585	1,978,100	1,534,516	1,373,377	3,792,101	3,351,477
Deferred OPEB Charges	116,394	648,110	75,024	435,224	191,418	1,083,334
Total Deferred Outflows of Resources	2,373,979	2,626,210	1,609,540	1,808,601	3,983,519	4,434,811
Long-Term Liabilities Outstanding	15,027,805	27,608,560	20,163,564	27,343,284	35,191,369	54,951,844
Other Liabilities	1,094,173	1,707,435	2,926,715	3,619,947	4,020,888	5,327,382
Total Liabilities	16,121,978	29,315,995	23,090,279	30,963,231	39,212,257	60,279,226
Deferred Pension Credits	99,903	72,545	18,686	11,703	118,589	84,248
Deferred OPEB Credits	44,401	42,109	35,328	28,014	79,729	70,123
Prepaid Taxes and Billings	8,224	1,231	-	-	8,224	1,231
Total Deferred Inflows of Resources	152,528	115,885	54,014	39,717	206,542	155,602
Net Position:						
Net Investment in Capital Assets	21,020,174	20,335,763	63,008,624	68,316,330	84,028,798	88,652,093
Restricted	3,285,875	3,739,753	-	-	3,285,875	3,739,753
Unrestricted	1,110,510	982,519	13,368,475	10,189,499	14,478,985	11,172,018
Total Net Position	\$ 25,416,559	25,058,035	76,377,099	78,505,829	101,793,658	\$103,563,864

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 \$103,564,000 as of June 30, 2020. The City's net position increased by approximately \$1,770,000 for the fiscal year ended June 30, 2020 largely due to an increase in net position in the Water and Sewer Fund of approximately \$2,264,000.

The largest portion of net position of approximately \$88,652,000 (86%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and vehicles); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$3,740,000 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's total net position of approximately \$11,172,000 (11%) is unrestricted.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

Item A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

## City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 876,782	763,110	17,629,945	17,812,892	18,506,727	\$ 18,576,002
Operating Grants & Contributions	1,338,803	1,272,272	-	-	1,338,803	1,272,272
Capital Grants and Contributions	271,254	-	1,421,287	2,935,574	1,692,541	2,935,574
General Revenues:						
Property Taxes	9,108,913	10,887,215	-	-	9,108,913	10,887,215
Other Taxes & Fees	4,984,365	5,310,182	-	-	4,984,365	5,310,182
Other Revenue	431,420	277,092	451,875	234,597	883,295	511,689
Total Revenues	17,011,537	18,509,871	19,503,107	20,983,063	36,514,644	39,492,934
<b>Expenses:</b>						
General Government	3,885,983	3,798,995	-	-	3,885,983	3,798,995
Public Safety	9,043,813	10,317,127	-	-	9,043,813	10,317,127
Transportation	2,559,392	2,966,740	-	-	2,559,392	2,966,740
Environmental Protection	95,522	15,898	-	-	95,522	15,898
Economic and Physical Development	521,007	560,800	-	-	521,007	560,800
Culture and Recreational	864,375	913,075	-	-	864,375	913,075
Interest on Long-Term Debt	253,558	325,760	-	-	253,558	325,760
Water and Sewer Fund	-	-	16,069,699	16,993,598	16,069,699	16,993,598
Environmental Services Fund	-	-	1,428,563	1,519,238	1,428,563	1,519,238
Stormwater Fund	-	-	275,402	311,497	275,402	311,497
Total Expenses	17,223,650	18,898,395	17,773,664	18,824,333	34,997,314	37,722,728
Change in Net Position Before Transfers and Special Item	(212,113)	(388,524)	1,729,443	2,158,730	1,517,330	1,770,206
Transfers	336,250	30,000	(336,250)	(30,000)	-	-
Special Item - Loss on Grey Hosiery Mill Redevelopment	(569,930)	-	-	-	(569,930)	-
Change in Net Position	(445,793)	(358,524)	1,393,193	2,128,730	947,400	1,770,206
Net Position, Beginning of Year	25,862,352	25,416,559	74,983,906	76,377,099	100,846,258	101,793,658
Net Position, End of Year	\$ 25,416,559	25,058,035	76,377,099	78,505,829	101,793,658	\$103,563,864

**Governmental Activities:** Governmental activities decreased the City's net position by approximately \$359,000 over the prior year. The key element of this decrease is due to expenditures exceeding revenues. A detailed explanation for the General Fund expenditures exceeding revenues is provided under the Governmental Funds in the Financial Analysis of the City's Funds section below.

**Business-type Activities:** Business-type activities increased the City's net position by approximately \$2,129,000 mostly due to revenues exceeding expenses.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

## 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 \$4,692,000 with a total fund balance of approximately \$8,553,000, an increase of approximately \$223,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$713,000 for FY 2020. In the upcoming fiscal year 2021 budget, approximately \$1,257,000 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, 2020 represents 26% percent of total next year General Fund budgeted expenditures.

At June 30, 2020, the governmental funds of the City reported a combined total governmental fund balance of approximately \$19,119,000, a 130% increase over last year.

The General Fund recorded revenues of approximately \$17,320,000 during FY 2020, which was an increase of approximately \$1,822,000, or 12% over the approximately \$15,498,000 recorded in FY 2019, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$1,673,000 or 19% over 2019, Henderson County conducts a reappraisal of real property every four years. Assessed value of real property increased 18.2% over the prior year.
- Unrestricted Intergovernmental Revenue increased over the prior fiscal year by approximately \$429,000 or 9%.
- Sales & Use Tax collections increased by approximately \$326,000 or 10% in the General Fund during fiscal year 2020, compared to the approximately \$195,000 or 6% increase seen in the prior year. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. Increases in sales tax were driven by a strong economy prior to COVID-19. Continued operation of large retailers, services, and online shopping helped reduce the impacts of the pandemic on sales tax revenue.
- Restricted Intergovernmental Revenue, which includes grants or revenues and contributions received from other governmental entities for a specific purpose, decreased by approximately \$124,000 or 18% of the prior fiscal year. The decrease was due to a decrease in grants in FY 2020.
- Permits and Fees decreased in 2020 by approximately \$13,000 or 3% over 2019. The decrease was due to a decrease in fire inspections, and motor vehicle tag fees due to COVID-19.
- Sales and Services revenue decreased by approximately \$22,000 or 8% in total over the prior year. The decrease is mostly due to a reduction in parking and facility rental revenue due to COVID-19.
- Investment Income earned on the investment of idle cash decreased by approximately \$90,000 or 44% over the prior. Investment rates of return dropped drastically the last half of fiscal year 2020 due to COVID-19.
- Miscellaneous revenue decreased by approximately \$29,000 or 22% in total over the prior year. The decrease is the result of the City receiving less revenue for parking violations and penalties.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

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

## Governmental Funds (Continued)

Expenditures in the General Fund were approximately \$16,489,000 for fiscal year 2020, which was an increase of approximately \$1,187,000, or 8% over the approximately \$15,302,000 recorded in fiscal year 2019, primarily due to the following:

- General Government expenditures increased \$250,000 over the prior year. This increase is primarily due to an increase in salaries and benefits of Administrative, Finance, and City Engineer.
- Debt service expenditures increased by approximately \$157,000 over the prior year. This increase is primarily due to payments being made on debt issued in the prior year.
- The Fire Department expenditures increased by approximately \$303,000 over the prior year due mostly to the addition of three new personnel and the purchase of vehicles.
- Police Department expenditures increased approximately \$389,000 during fiscal year 2020 as compared to the prior year. The increase was mostly due to the addition of three new personnel and the purchase of vehicles and equipment.

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

Several factors contributed to the General Fund actual revenues of approximately \$17,320,000 exceeding the budgeted revenues by approximately \$363,000 or 2%. These include:

- Property Tax collections were 2%, or approximately \$165,000 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 2019 tax levy, collected during fiscal year 2020. The City entered into an agreement with the County beginning in FY 2020 to collect taxes for the City.
- Local Option Sales Taxes came in approximately \$158,000 or 5% over the revised budget, as the City has budgeted conservatively.
- Revenues from the ABC Board exceeded the amended budgeted revenues by 48% or approximately \$108,000 above the expected amount.
- The revenue from Permits and Fines were less than the budgeted amount by approximately \$48,000 or 11% at the end of the year.
- Sales and Service revenue was less than the budgeted amount by approximately \$27,000 or 10% of the revised budget.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

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

## Governmental Funds (Continued)

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 \$16,489,000, which was approximately \$1,565,000 or 9% below the approximately \$18,054,000 revised expenditures budget for the fiscal year 2020. The following factors contributed to the reduction of expenditures during fiscal year 2020, these include:

- The Fire Department expenditures were approximately \$344,000 less than budgeted. The majority of this variance is due to overestimates of supplies during the year and reductions due to COVID-19.
- Police Department expenditures came in approximately \$461,000 below budget. The variance is mostly the result of open positions during the year and reductions due to COVID-19.
- The Developmental Assistance Department ended the year with approximately \$69,000 less expenditures than budgeted. Most of this variance was the result of reductions due to COVID-19.
- The Finance Department variance contributed approximately \$46,000 to the reduction of actual expenditures compared to the fiscal year 2020 budget. The department had personnel vacancies during fiscal year 2020 which led to a reduction in salary, benefit, and training expenditures.
- The Public Works Streets and Highway Department ended the year with approximately \$46,000 or 6% excess budget. This was primarily due to a variance in salaries due to employee turnover in the department and lower than budgeted supply expenditures.
- The Public Works Traffic Department was \$64,000 under budget during fiscal year 2020, due to overestimates for equipment and supplies and materials.
- The Cultural and Recreation Department was \$88,000 under budget resulting mainly from reductions due to COVID-19.

The Governmental Capital Projects Fund, a major fund, includes the Grounds Maintenance Building, Main Street Corridor Restroom, Fiber, and Police Department Headquarters projects. The Capital Projects Fund's change in fund balance increased \$9,856,000 to approximately \$9,869,000 at June 30, 2020. This increase is primarily due to the issuance of debt in the amount of \$11,500,000.

## Non-Major Governmental Funds

Non-Major Governmental Funds include special revenue funds and several governmental capital project funds that are funded by grants or other specific revenue sources. In fiscal year 2020, the City combined several special revenue funds into a single fund, the Grants Fund.

Revenues in the non-major governmental funds decreased by approximately \$496,000 over the prior year. The primary reason for the variance is due to a decrease in grant revenue.

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

The Main Street Tax District 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 Tax District Fund recorded a fund balance decrease of approximately \$10,000 for fiscal year 2020.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

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

## Non-Major Governmental Funds (Continued)

Total Main Street Tax District Fund revenues increased by approximately \$61,000 or 12% above fiscal year 2019. Factors contributing to the increase in revenues during fiscal year 2020 are as follows:

- Ad Valorem Tax revenue was approximately \$62,000 more than the prior year.
- Sales tax revenue increased approximately \$16,000 over the prior year.

Seventh Avenue Tax District Fund revenues increased by approximately \$19,000 compared to the prior year due to an increase in tax revenue.

Expenditures in the Non-Major Governmental Funds decreased by approximately \$626,000 over the prior year. Key components of these variances between fiscal year 2020 and 2019 include the following:

- Expenditures for Capital Outlay decreased approximately \$936,000.
- Debt Service payments increased approximately \$45,000.
- Expenditures for Economic and Physical Development increased approximately \$34,000.
- Expenditures for Public Safety increased approximately \$277,000.

## Proprietary Funds

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

## Water &amp; Sewer Fund

The Water & Sewer Fund (modified accrual) recorded approximately \$16,196,000 in operating revenues for fiscal year 2020. This was an approximately \$129,000 or 1% increase over fiscal year 2019. The primary reason for this increase is an increase in the base rate for water. The following provides further details for the increase in the fund revenues during fiscal year 2020:

- Water Sales Revenue was approximately \$10,166,000 for fiscal year 2020, which was 4% higher than the previous year. Sewer Charges increased approximately \$43,000 or 1% over fiscal year 2019.
- Water and Sewer new tap charges decreased by approximately \$45,000.
- The Water & Sewer fund reported investment revenue is \$145,000 in fiscal year 2020. This was a \$177,000 decrease over fiscal year 2019. This is due in part to drastic decreases in rate of return and reduced idle cash available for investment.

The Water & Sewer Fund (modified accrual) recorded approximately \$17,156,000 in operating expenditures for fiscal year 2020. This was approximately \$1,761,000 and 11% higher than fiscal year 2019.

- The primary reasons for the increase in operating expenditures during fiscal year 2020 was due to increases in debt service expenditures.

**CITY OF HENDERSONVILLE, NORTH CAROLINA****MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2020****FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)****Water & Sewer Fund (Continued)****Water & Sewer Fund Transfers:**

- The Water & Sewer Fund transferred out a total of approximately \$343,000 during fiscal year 2020. This included approximately \$63,000 Water and Sewer Capital Projects Fund, \$30,000 to the City Fiber Improvement Project, and \$250,000 to the Capital Reserve Fund. This was approximately \$2,508,000 less than the approximately \$2,851,000 transferred out to Water and Sewer projects in the prior year.

Unrestricted net position of the Water and Sewer Fund at the end of 2020 totaled approximately \$10,086,000 which was a decrease of approximately \$3,111,000 (24%) over the prior year.

**Environmental Service Fund**

The Environmental Service Fund total unrestricted net position decreased by 132% to approximately (\$33,000) at June 30, 2020 compared to the prior year total of approximately \$104,000 due to expenditures exceeding revenues.

- Operating revenues were approximately \$1,238,000 and 1% higher for fiscal year 2020 than the previous year.
- Expenditures in the Environmental Service Fund of approximately \$1,518,000 increased by approximately \$91,000 or 6% from the prior year due to an increase in waste collection and treatment.

**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, 2020, totaled approximately \$118,013,000 (net of accumulated depreciation). This was an increase of approximately \$8,779,000 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

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

- Construction of new Police Department Headquarters
- Nineteen Vehicles
- Garbage Truck
- Street Sweeper
- Fourth Avenue Streetscape
- Streambank Restoration
- Etowah Water System Improvements
- Northside Water System Improvements

## CITY OF HENDERSONVILLE, NORTH CAROLINA

Item A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

## Capital Assets (Continued)

## City's Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 4,437,354	4,712,964	2,956,233	3,229,041	7,393,587	\$ 7,942,005
Buildings	7,629,329	10,381,472	776,764	760,786	8,406,093	11,142,258
Other Improvements	1,427,131	1,272,724	129,799	182,303	1,556,930	1,455,027
Machinery and Equipment	2,958,100	3,154,634	3,843,982	4,243,001	6,802,082	7,397,635
Infrastructure	10,208,922	9,478,981	63,413,692	70,343,704	73,622,614	79,822,685
Software	41,807	17,543	30,858	11,510	72,665	29,053
Construction in Progress	2,952,202	1,595,694	8,426,971	8,628,240	11,379,173	10,223,934
Total	\$ 29,654,845	30,614,012	79,578,299	87,398,585	109,233,144	\$ 118,012,597

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

## Long-Term Debt

As of June 30, 2020, the City had total bonded debt outstanding of \$1,013,000. Of this total debt, the entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans secured solely by lien on the particular assets financed.

## City's Outstanding General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
General Obligation Bonds	\$ 1,177,000	1,013,000	-	-	1,177,000	\$ 1,013,000

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$128,409,000.

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, 2020****ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES****Economic Factors**

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

- Henderson County's unemployment rate was 7.5% as of June 30, 2020. This was equal to the average unemployment rate statewide.
- The certified population estimate for the City of Hendersonville as of July 1, 2020 was 14,277.
- The annual Henderson County Apple Festival, held in Hendersonville, was modified due to COVID-19. The normal Main Street Festival was cancelled, and smaller individual events were held at local orchards and other locations.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

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

The fiscal year ending June 30, 2021 ("2021" or "FY 2021") operating budget totals approximately \$39,850,000 for the City's budgeted operating funds. This is approximately \$1,129,000 or 3%, higher than the approximately \$38,721,000 original FY 2020 budget.

***Governmental Activities***

The fiscal year 2021 budget keeps the tax rate at \$0.49 per \$100 in assessed value. The rate is budgeted to generate approximately \$9,600,000 in ad valorem tax revenue and \$700,000 in motor vehicle tax revenue for the fiscal year.

The fiscal year 2021 adopted expenditure budget for the General Fund totals approximately \$18,320,000 which is approximately \$30,000 above the final 2020 fiscal year amended budgeted.

***Business-Type Activities***

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for approximately 47% of total expenses. The fiscal year 2021 operating budget, not including transfers to the Water and Sewer Capital Projects, totals approximately \$18,356,000 and is 3% higher than the prior fiscal year due to an increase in personnel and operating expenditures.

The Water and Sewer fund has approximately \$850,000 fund balance appropriated in next year's budget. In addition to the continuance of several major project initiatives, a strong emphasis remains on reinvesting Water and Sewer Fund retained earnings back into the system in a way that benefits all of our customers inside the City as well as outside of the City limits.

The Environmental Service Fund budgeted operating expenses decreased by approximately \$259,000 or 16% in next year's budget. This was due to the purchase of a new truck in fiscal year 2020.

The Stormwater Fund operating expense budget, not including transfers, is approximately \$575,000 for fiscal year 2021, an increase of 7% over the prior year. The increase is mainly due to infrastructure improvements and an asset inventory and assessment.

**CITY OF HENDERSONVILLE, NORTH CAROLINA****MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2020**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)****Budget Highlights for the Fiscal Year Ending June 30, 2021 (Continued)*****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 annual street resurfacing, Main Street Parking Deck, fire truck purchase and the continuation of Tracey Grove bridge replacement project and Police Department headquarters.

Several major Water and Sewer capital projects will continue in the fiscal year 2021 budget, including the Northside Water System Improvements project, the Etowah Water System Improvements, Multi-area Streambank Restoration, and French Broad Raw Water Intake project.

**ADDITIONAL INFORMATION**

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

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



# **Basic Financial Statements**

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2020

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Totals	ABC Board
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,326,996	2,716,265	5,043,261	\$ 1,351,212
Pooled Cash and Cash Equivalents, Restricted	9,955,417	5,440,727	15,396,144	-
Pooled Investments	4,941,271	7,110,609	12,051,880	-
Receivables, Net:				
Interest	8,833	8,174	17,007	-
Property Taxes	245,149	-	245,149	-
Accounts	125,573	2,591,431	2,717,004	916
Grants	298,449	11,308	309,757	-
Shared Taxes	1,382,924	2,575	1,385,499	-
Refundable Taxes	388,728	6,095	394,823	-
Loans	-	1,180,687	1,180,687	-
Due From Component Unit	150,000	-	150,000	-
Prepays and Inventories	683,233	1,233,720	1,916,953	521,476
Land Held for Sale/Redevelopment	50,295	-	50,295	-
Note Receivable	692,825	-	692,825	-
Capital Assets:				
Non-Depreciable	6,308,658	11,857,281	18,165,939	640,091
Depreciable, Net	24,305,354	75,541,304	99,846,658	1,061,598
<b>TOTAL ASSETS</b>	<b>51,863,705</b>	<b>107,700,176</b>	<b>159,563,881</b>	<b>3,575,293</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	1,978,100	1,373,377	3,351,477	131,914
Deferred Other Postemployment Benefit Charges	648,110	435,224	1,083,334	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,626,210</b>	<b>1,808,601</b>	<b>4,434,811</b>	<b>131,914</b>
<b>LIABILITIES</b>				
Accounts Payable	1,013,683	2,897,881	3,911,564	260,406
Accrued Interest Payable	81,403	49,263	130,666	-
Accrued Salaries and Benefits	578,094	429,637	1,007,731	-
Customer Deposits	1,025	243,166	244,191	-
Other Accrued Liabilities	-	-	-	200,330
Due to Primary Government	-	-	-	150,000
Due to Other Governments	-	-	-	150,000
Unearned Revenues	33,230	-	33,230	-
Non-Current Liabilities:				
Due Within One Year	1,266,614	2,725,089	3,991,703	-
Due in More Than One Year	26,341,946	24,618,195	50,960,141	149,656
<b>TOTAL LIABILITIES</b>	<b>29,315,995</b>	<b>30,963,231</b>	<b>60,279,226</b>	<b>910,392</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	72,545	11,703	84,248	-
Deferred Other Postemployment Benefit Credits	42,109	28,014	70,123	-
Prepaid Taxes	1,231	-	1,231	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>115,885</b>	<b>39,717</b>	<b>155,602</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	20,335,763	68,316,330	88,652,093	1,701,689
Restricted For:				
Stabilization by State Statute	3,429,803	-	3,429,803	-
Economic Development	135,971	-	135,971	-
Public Safety	148,206	-	148,206	-
Cultural and Recreational	25,773	-	25,773	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	262,234
Unrestricted	982,519	10,189,499	11,172,018	802,263
<b>TOTAL NET POSITION</b>	<b>\$ 25,058,035</b>	<b>78,505,829</b>	<b>103,563,864</b>	<b>\$ 2,796,815</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, 2020

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	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 3,798,995	37,730	-	-	(3,761,265)	-	(3,761,265)	\$ -
Public Safety	10,317,127	251,510	715,918	-	(9,349,699)	-	(9,349,699)	-
Transportation	2,966,740	200,070	380,200	-	(2,386,470)	-	(2,386,470)	-
Environmental Protection	15,898	-	104,994	-	89,096	-	89,096	-
Economic and Physical Development	560,800	-	71,160	-	(489,640)	-	(489,640)	-
Cultural and Recreational	913,075	273,800	-	-	(639,275)	-	(639,275)	-
Interest on Long-Term Obligations	325,760	-	-	-	(325,760)	-	(325,760)	-
<b>Total Governmental Activities</b>	<b>18,898,395</b>	<b>763,110</b>	<b>1,272,272</b>	<b>-</b>	<b>(16,863,013)</b>	<b>-</b>	<b>(16,863,013)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water and Sewer	16,993,598	16,196,439	-	2,876,942	-	2,079,783	2,079,783	-
Environmental Services	1,519,238	1,237,818	-	-	-	(281,420)	(281,420)	-
Stormwater	311,497	378,635	-	58,632	-	125,770	125,770	-
<b>Total Business-Type Activities</b>	<b>18,824,333</b>	<b>17,812,892</b>	<b>-</b>	<b>2,935,574</b>	<b>-</b>	<b>1,924,133</b>	<b>1,924,133</b>	<b>-</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 37,722,728</b>	<b>18,576,002</b>	<b>1,272,272</b>	<b>2,935,574</b>	<b>(16,863,013)</b>	<b>1,924,133</b>	<b>(14,938,880)</b>	<b>-</b>
<b>COMPONENT UNIT:</b>								
ABC Board	\$ 8,951,311	8,854,456	-	-	-	-	-	(96,855)
<b>TOTAL - COMPONENT UNIT</b>	<b>\$ 8,951,311</b>	<b>8,854,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(96,855)</b>
<b>General Revenues and Transfers:</b>								
General Revenues:								
Taxes:								
Property Taxes					10,887,215	-	10,887,215	-
Sales Taxes					3,807,868	-	3,807,868	-
Franchise Taxes					1,218,896	-	1,218,896	-
Gross Receipts Tax					10,895	-	10,895	-
Other Taxes					272,523	-	272,523	-
Investment Income					121,167	164,081	285,248	8,054
Miscellaneous					155,925	61,352	217,277	-
Gain on Sale of Assets					-	9,164	9,164	-
Transfers In (Out)					30,000	(30,000)	-	-
<b>Total General Revenues and Transfers</b>					<b>16,504,489</b>	<b>204,597</b>	<b>16,709,086</b>	<b>8,054</b>
<b>CHANGE IN NET POSITION</b>					<b>(358,524)</b>	<b>2,128,730</b>	<b>1,770,206</b>	<b>(88,801)</b>
NET POSITION, Beginning of Year					25,416,559	76,377,099	101,793,658	2,885,616
<b>NET POSITION, END OF YEAR</b>					<b>25,058,035</b>	<b>78,505,829</b>	<b>103,563,864</b>	<b>\$ 2,796,815</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, 2020

	GENERAL FUND	GOVERNMENTAL CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,154,250	-	-	\$ 2,154,250
Pooled Cash and Cash Equivalents, Restricted	-	9,642,836	312,581	9,955,417
Pooled Investments	4,941,271	-	-	4,941,271
Receivables, Net:				
Interest	8,617	-	216	8,833
Taxes	230,554	-	14,595	245,149
Accounts	119,453	-	-	119,453
Grants	18,840	-	279,609	298,449
Shared Taxes	1,470,257	-	62,667	1,532,924
Refundable Taxes	388,728	-	-	388,728
Due From Other Funds	512,425	-	-	512,425
Prepaid Items	53,727	629,506	-	683,233
Land Held for Sale/Redevelopment	50,295	-	-	50,295
Note Receivable	-	-	692,825	692,825
<b>TOTAL ASSETS</b>	<b>\$ 9,948,417</b>	<b>10,272,342</b>	<b>1,362,493</b>	<b>\$ 21,583,252</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 532,947	403,296	33,193	\$ 969,436
Accrued Salaries and Benefits	578,023	-	71	578,094
Customer Deposits	1,025	-	-	1,025
Due To Other Funds	-	-	512,425	512,425
Unearned Revenues	33,228	-	2	33,230
<b>TOTAL LIABILITIES</b>	<b>1,145,223</b>	<b>403,296</b>	<b>545,691</b>	<b>2,094,210</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	230,554	-	14,595	245,149
Unavailable Revenue - Grants	18,840	-	104,994	123,834
Prepaid Taxes	1,231	-	-	1,231
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>250,625</b>	<b>-</b>	<b>119,589</b>	<b>370,214</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Items	53,727	629,506	-	683,233
Land Held for Sale/Redevelopment	50,295	-	-	50,295
Restricted For:				
Stabilization by State Statute	2,499,480	-	930,323	3,429,803
Economic Development	-	-	68,751	68,751
Public Safety	-	-	80,206	80,206
Cultural and Recreational	-	-	14,273	14,273
Capital Projects	-	9,239,540	-	9,239,540
Committed - Organic Garden	-	-	3,230	3,230
Assigned For:				
Subsequent Year's Expenditures	1,257,155	-	132,125	1,389,280
Unassigned	4,691,912	-	(531,695)	4,160,217
<b>TOTAL FUND BALANCES</b>	<b>8,552,569</b>	<b>9,869,046</b>	<b>697,213</b>	<b>19,118,828</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 9,948,417</b>	<b>10,272,342</b>	<b>1,362,493</b>	<b>\$ 21,583,252</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, 2020

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 19,118,828</b>
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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 \$54,686,733 and the accumulated depreciation was \$24,072,721.	30,614,012
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.	245,149
Grants 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.	123,834
An internal service funds is used by management to charge the costs of health insurance costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	134,619
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.	(81,403)
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.	1,792,667
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.	112,888
The City's deferred outflows of resources and deferred inflows of resources related to its other postemployment benefit plan (retiree health care plan), a single-employer defined benefit other postemployment benefit plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	606,001
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	(20,177,665)
Compensated Absences	(785,454)
Total OPEB Liability - Health Care Plan	(2,319,496)
Net Pension Liability - LGERS Pension Plan	(3,132,461)
Total Pension Liability - LEOSSA	(1,193,484)

<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 25,058,035</u></b>
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## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	GOVERNMENTAL CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 10,542,232	-	341,455	\$ 10,883,687
Other Taxes and Licenses	10,895	-	-	10,895
Unrestricted Intergovernmental Revenue	5,308,577	-	231,089	5,539,666
Restricted Intergovernmental Revenue	572,060	-	316,962	889,022
Permits and Fees	399,737	-	-	399,737
Sales and Services	269,883	-	71,160	341,043
Investment Earnings	117,052	944	3,171	121,167
Miscellaneous	99,786	-	33,890	133,676
<b>TOTAL REVENUES</b>	<b>17,320,222</b>	<b>944</b>	<b>997,727</b>	<b>18,318,893</b>
<b>EXPENDITURES</b>				
Current:				
General Government	3,203,028	111,500	-	3,314,528
Public Safety	8,590,705	-	390,841	8,981,546
Transportation	2,113,102	-	-	2,113,102
Environmental Protection	-	-	15,898	15,898
Economic and Physical Development	-	-	533,430	533,430
Cultural and Recreational	642,051	-	619	642,670
Capital Outlay	922,435	1,721,603	265,833	2,909,871
Debt Service:				
Principal Retirement	756,668	-	36,406	793,074
Interest	260,934	-	17,031	277,965
Debt Issuance Costs	-	36,933	-	36,933
<b>TOTAL EXPENDITURES</b>	<b>16,488,923</b>	<b>1,870,036</b>	<b>1,260,058</b>	<b>19,619,017</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>831,299</b>	<b>(1,869,092)</b>	<b>(262,331)</b>	<b>(1,300,124)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	11,500,000	-	11,500,000
Issuance of Capital Lease	521,478	-	-	521,478
Insurance Proceeds	61,798	-	1,819	63,617
Sale of Capital Assets	1,151	-	-	1,151
Transfers In	-	275,629	120,915	396,544
Transfers Out	(235,683)	(50,915)	(79,946)	(366,544)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>348,744</b>	<b>11,724,714</b>	<b>42,788</b>	<b>12,116,246</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,180,043</b>	<b>9,855,622</b>	<b>(219,543)</b>	<b>10,816,122</b>
FUND BALANCES, Beginning of Year, as Previously Reported	7,372,526	(200,711)	1,130,891	8,302,706
Reclassification of Fund Balances	-	214,135	(214,135)	-
<b>FUND BALANCE, Beginning of Year, Restated</b>	<b>7,372,526</b>	<b>13,424</b>	<b>916,756</b>	<b>8,302,706</b>
<b>FUND BALANCES, End of Year</b>	<b>\$ 8,552,569</b>	<b>9,869,046</b>	<b>697,213</b>	<b>\$ 19,118,828</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, 2020

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 10,816,122</b>
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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.	3,527
Grant 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.	123,834
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(12,021,478)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	793,074
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.	(10,862)
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.	(746,599)
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.	(68,619)
Changes in the City's total other postemployment benefit liability (retiree health care plan), deferred outflow of resources, and deferred inflow of resources are not reported in the governmental funds but is reported in the Statement of Activities.	(207,684)
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.	(47,568)
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.	(12,353)
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.	48,562
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 \$2,833,501 exceeded depreciation expense of \$1,861,981 in the current period.	971,520

<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (358,524)</b>
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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, 2020

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Ad Valorem Taxes	\$ 10,306,483	10,377,123	10,542,232	\$ 165,109
Other taxes and licenses	9,500	9,500	10,895	1,395
Unrestricted Intergovernmental Revenue	4,757,425	5,066,626	5,308,577	241,951
Restricted Intergovernmental Revenue	529,645	529,645	572,060	42,415
Permits and Fees	444,400	447,700	399,737	(47,963)
Sales And Services	282,500	296,500	269,883	(26,617)
Investment Earnings	140,000	140,000	117,052	(22,948)
Miscellaneous Revenues	82,500	90,140	99,786	9,646
TOTAL REVENUES	16,552,453	16,957,234	17,320,222	362,988
EXPENDITURES				
Current:				
General Government	3,759,074	3,501,968	3,203,028	298,940
Public Safety	8,870,981	9,371,241	8,590,705	780,536
Transportation	2,211,364	2,208,686	2,113,102	95,584
Cultural and Recreational	727,309	740,000	642,051	97,949
Capital Outlay	567,350	1,102,439	922,435	180,004
Debt Service:				
Principal	733,129	757,129	756,668	461
Interest and Bank Fees	396,442	372,462	260,934	111,528
TOTAL EXPENDITURES	17,265,649	18,053,925	16,488,923	1,565,002
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(713,196)	(1,096,691)	831,299	1,927,990
OTHER FINANCING SOURCES (USES)				
Issuance of Capital Lease	-	521,479	521,478	(1)
Insurance Proceeds	-	32,999	61,798	28,799
Sale of Capital Assets	-	500	1,151	651
Transfers In	30,000	-	-	-
Transfers Out	(30,000)	(235,683)	(235,683)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	319,295	348,744	29,449
Fund Balance Appropriated	713,196	777,396	-	(777,396)
NET CHANGE IN FUND BALANCES	\$ -	-	1,180,043	\$ 1,180,043
FUND BALANCES, Beginning of Year			7,372,526	
FUND BALANCES, End of Year			\$ 8,552,569	

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, 2020

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	STORM WATER FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 2,557,630	95,268	63,367	2,716,265	\$ 172,746
Pooled Cash and Cash Equivalents, Restricted	5,440,727	-	-	5,440,727	-
Pooled Investments	6,990,091	60,259	60,259	7,110,609	-
Receivable, Net					
Accounts Receivable	2,376,163	165,037	50,231	2,591,431	6,120
Grants	-	-	11,308	11,308	-
Shared Taxes	-	2,575	-	2,575	-
Refundable Taxes	4,475	29	1,591	6,095	-
Accrued Interest	8,022	143	9	8,174	-
Loans	1,180,687	-	-	1,180,687	-
Prepaid and Inventories	1,233,720	-	-	1,233,720	-
Total Current Assets	19,791,515	323,311	186,765	20,301,591	178,866
Non-Current Assets:					
Capital Assets:					
Non-Depreciable	11,700,122	11,134	146,025	11,857,281	-
Depreciable, Net	74,216,690	733,424	591,190	75,541,304	-
Total Non-Current Assets	85,916,812	744,558	737,215	87,398,585	-
<b>TOTAL ASSETS</b>	<b>105,708,327</b>	<b>1,067,869</b>	<b>923,980</b>	<b>107,700,176</b>	<b>178,866</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Pension Charges	1,227,263	146,114	-	1,373,377	-
Deferred Other Post Employment Benefit Charges	395,965	39,259	-	435,224	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,623,228</b>	<b>185,373</b>	<b>-</b>	<b>1,808,601</b>	<b>-</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	2,824,557	40,839	32,485	2,897,881	44,247
Accrued Interest Payable	48,933	222	108	49,263	-
Accrued Salaries and Benefits	380,947	39,895	8,795	429,637	-
Customer Deposits	243,166	-	-	243,166	-
Current Portion of Compensated Absences	224,453	24,414	4,131	252,998	-
Current Portion of Debt	2,349,117	79,553	43,421	2,472,091	-
Total Current Liabilities	6,071,173	184,923	88,940	6,345,036	44,247
Non-Current Liabilities:					
Net Pension Liability	2,126,217	253,142	-	2,379,359	-
Other Post Employment Benefits	1,388,042	155,046	-	1,543,088	-
Compensated Absences, Less Current Portion	224,453	24,414	4,131	252,998	-
Debt, Less Current Portion	20,028,595	231,576	182,579	20,442,750	-
Total Long-Term Liabilities	23,767,307	664,178	186,710	24,618,195	-
<b>TOTAL LIABILITIES</b>	<b>29,838,480</b>	<b>849,101</b>	<b>275,650</b>	<b>30,963,231</b>	<b>44,247</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Pension Credits	10,458	1,245	-	11,703	-
Deferred Other Post Employment Benefit Credits	25,199	2,815	-	28,014	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>35,657</b>	<b>4,060</b>	<b>-</b>	<b>39,717</b>	<b>-</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	67,371,686	433,429	511,215	68,316,330	-
Unrestricted	10,085,732	(33,348)	137,115	10,189,499	134,619
<b>TOTAL NET POSITION</b>	<b>\$ 77,457,418</b>	<b>400,081</b>	<b>648,330</b>	<b>78,505,829</b>	<b>\$ 134,619</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, 2020

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 15,534,013	1,237,818	378,635	17,150,466	\$ 278,328
Water and Sewer Taps	355,946	-	-	355,946	-
Other Operating Revenues	306,480	-	-	306,480	25,230
<b>TOTAL OPERATING REVENUES</b>	<b>16,196,439</b>	<b>1,237,818</b>	<b>378,635</b>	<b>17,812,892</b>	<b>303,558</b>
<b>OPERATING EXPENSES</b>					
Administrative	4,488,424	-	-	4,488,424	-
Operations Support	2,010,533	-	-	2,010,533	-
Water Treatment and Distribution	4,032,103	-	-	4,032,103	-
Waste Collection and Treatment	2,572,733	1,355,368	-	3,928,101	-
Stormwater	-	-	286,229	286,229	-
Risk Management and Employee Benefits	-	-	-	-	254,996
Depreciation	3,267,610	162,237	25,160	3,455,007	-
<b>TOTAL OPERATING EXPENSES</b>	<b>16,371,403</b>	<b>1,517,605</b>	<b>311,389</b>	<b>18,200,397</b>	<b>254,996</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(174,964)</b>	<b>(279,787)</b>	<b>67,246</b>	<b>(387,505)</b>	<b>48,562</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest Earned on Investments	161,121	2,253	707	164,081	-
Interest on Long-Term Obligations	(402,142)	(1,633)	(108)	(403,883)	-
Debt Issuance Costs	(220,053)	-	-	(220,053)	-
Gain (Loss) on Sale of Capital Assets	9,164	-	-	9,164	-
Other	38,894	17,355	-	56,249	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(413,016)</b>	<b>17,975</b>	<b>599</b>	<b>(394,442)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(587,980)</b>	<b>(261,812)</b>	<b>67,845</b>	<b>(781,947)</b>	<b>48,562</b>
Capital Contributions	2,876,942	-	21,843	2,898,785	-
Capital Contributions - Grant	-	-	36,789	36,789	-
Insurance Proceeds	5,103	-	-	5,103	-
Transfers Out	(30,000)	-	-	(30,000)	-
<b>CHANGE IN NET POSITION</b>	<b>2,264,065</b>	<b>(261,812)</b>	<b>126,477</b>	<b>2,128,730</b>	<b>48,562</b>
NET POSITION, Beginning of Year	75,193,353	661,893	521,853	76,377,099	86,057
<b>NET POSITION, End of Year</b>	<b>\$ 77,457,418</b>	<b>400,081</b>	<b>648,330</b>	<b>78,505,829</b>	<b>\$ 134,619</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	MAJOR WATER AND SEWER FUND	NONMAJOR ENVIRONMENTAL SERVICE FUND	STORM WATER FUND	TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 16,218,893	1,220,394	363,246	17,802,533	\$ 297,438
Payments to Suppliers for Goods and Services	(8,616,227)	(682,621)	(142,928)	(9,441,776)	(226,434)
Payments for Personal Services	(4,903,912)	(562,658)	(113,484)	(5,580,054)	(22,118)
Other Receipts (Payments)	43,997	14,780	-	58,777	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,742,751	(10,105)	106,834	2,839,480	48,886
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers to Other Funds	(30,000)	-	-	(30,000)	-
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(30,000)	-	-	(30,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions - Grants	36,864	-	42,612	79,476	-
Acquisition of Capital Assets	(6,233,586)	(248,038)	(286,743)	(6,768,367)	-
Proceeds on Sale of Capital Assets	9,164	-	-	9,164	-
Bond and Note Proceeds	13,649,124	242,439	226,000	14,117,563	-
Payments to Refunding Bond Escrow Agent	(6,209,841)	-	-	(6,209,841)	-
Debt Issuance Costs	(220,053)	-	-	(220,053)	-
Bond and Revolving Fund Loan Principal Payments	(2,711,348)	(31,895)	-	(2,743,243)	-
Bond and Revolving Fund Loan Interest Payments	(470,481)	(1,732)	-	(472,213)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,150,157)	(39,226)	(18,131)	(2,207,514)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment Earnings	216,343	3,232	861	220,436	-
Short Term Investments, Net	6,656,729	112,486	(60,259)	6,708,956	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,873,072	115,718	(59,398)	6,929,392	-
<b>NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>7,435,666</b>	<b>66,387</b>	<b>29,305</b>	<b>7,531,358</b>	<b>48,886</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	562,691	28,881	34,062	625,634	123,860
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 7,998,357</b>	<b>95,268</b>	<b>63,367</b>	<b>8,156,992</b>	<b>\$ 172,746</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Operating Income (Loss)	\$ (174,964)	(279,787)	67,246	(387,505)	\$ 48,562
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Depreciation Expense	3,267,610	162,237	25,160	3,455,007	-
Other Nonoperating Revenue	38,894	17,355	-	56,249	-
Insurance Proceeds	5,103	-	-	5,103	-
Change in Accounts Representing Operating Activities:					
Accounts Receivable	(83,441)	(17,424)	(15,389)	(116,254)	(6,120)
Shared Taxes Receivable	-	(2,575)	-	(2,575)	-
Refundable Taxes Receivable	(4,392)	(29)	(1,591)	(6,012)	-
Prepays and Inventory	60,850	-	-	60,850	-
Accounts Payable	(1,098,726)	17,964	22,485	(1,058,277)	28,562
Accrued Salaries and Benefits	96,126	6,764	2,913	105,803	(22,118)
Customer Deposits	105,895	-	-	105,895	-
Other Post Employment Benefits	255,092	32,578	-	287,670	-
Compensated Absences	85,932	19,468	6,010	111,410	-
Net Pension Liability	398,240	37,234	-	435,474	-
Deferred Pension Charges	136,812	24,327	-	161,139	-
Deferred Pension Credits	(6,152)	(831)	-	(6,983)	-
Deferred Other Post Employment Benefit Charges	(333,445)	(26,755)	-	(360,200)	-
Deferred Other Post Employment Benefit Credits	(6,683)	(631)	-	(7,314)	-
Net Cash Provided by (Used in) Operating Activities	\$ 2,742,751	(10,105)	106,834	2,839,480	\$ 48,886
Noncash Investing or Financing Items:					
Capital Contributions	\$ 2,876,942	-	21,843	2,898,785	\$ -
Revolving Loan Funds Not Yet Received	1,180,687	-	-	1,180,687	-
Acquisition of Capital Assets Not Yet Paid For	\$ 1,608,141	-	-	1,608,141	\$ -

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, 2020

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, 2020

**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, cultural and recreational, 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, 2020

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

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, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

The ***Drug Forfeiture Federal Fund, a non-major fund***, was established to administer activities related to the Forfeiture Program. In the current year, the activity and fund balance in this fund was reclassified to the Grants Fund.

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

The ***SAFER Grant Fund, a non-major fund***, was established to administer a federal grant to increase the staffing in the Fire Department. This fund adopts a multi-year project budget. In the current year, the activity and fund balance in this fund was reclassified to the Grants Fund.

The ***Special Revenue Fund, a non-major fund***, was established to administer restricted or committed funds for some of the City's other programs. This fund adopts a multi-year project budget.

The ***Grants Fund, a non-major fund***, was established to administer restricted or committed funds for some of the City's federal and state grants. This fund adopts a multi-year project 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. In the current year, the activity and fund balance in this fund was reclassified to the Governmental Capital Projects Fund.

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. In the current year, the activity and fund balance in this fund was reclassified to the Grants Fund.

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. In the current year, the activity and fund balance in this fund was reclassified to the Governmental Capital Projects Fund.

***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, 2020

**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.

**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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****2. Deposits and Investments (Continued)**

State law (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The City's and ABC Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 (expended/expensed when consumed).

**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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****5. Capital Assets (Continued)**

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.

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

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

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

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

**6. Restricted Assets**

In the General Fund, any unspent Powell Bill funds are classified as restricted cash and cash equivalents, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4.

The unexpended proceeds of debt held in the Governmental Capital Projects Fund and the Water and Sewer Fund are classified as restricted assets, because their use is completely restricted to the purpose for which the debt was issued.

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****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 two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in the City's Statements of Net Position in connection with the City's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). (2) The City reports *deferred other postemployment benefits ("OPEB") charges* in the City's Statements of Net Position in connection with the City's OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability of the total OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**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 five types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The City reports *unavailable revenue – grants* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (grant revenues) in the period the amounts become available. (3) The City reports deferred items for prepaid revenues in the governmental funds Balance Sheet and in the government-wide Statement of Net Position; it is deferred and recognized as an inflow of resources in the period for which is intended to finance. (4) The City reports *deferred pension credits* in its Statements of Net Position in connection with the City's participation in the State's LGERS and LEOSSA. (5) The City also reports *deferred OPEB credits* in its Statements of Net Position in connection with the City's OPEB Plan. These *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB 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** - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute ("RSS"), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****10. Fund Balance (Continued)**

**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 programs and projects.

**Restricted for Capital Projects** – portion of fund balance restricted for capital projects.

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

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

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

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

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

The City adopted an Available Fund Balance policy for the General Fund to be at a minimum of fifty percent (50%) of the City's population group average percent available fund balance and 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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****12. Pensions and Other Postemployment Benefits**

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

**13. Fair Value**

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

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

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

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

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

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

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The City’s investments in NC Local Governments and Commercial Paper, which are traded in the financial markets, are valued by the custodians of the securities using observable market data and are classified as level 2.

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)****14. Encumbrances**

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

**15. Accounting Estimates**

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

**16. Comparative Data**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****A. Budgetary Information**

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

1. Around the middle of February each year (legally required to be completed before April 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.
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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## 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, 2020, the City's deposits had a carrying amount of approximately \$19,928,000 and a bank balance of approximately \$20,746,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

At June 30, 2020, the ABC Board's deposits had a carrying amount of approximately \$1,351,000 and a bank balance of approximately \$1,319,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

*Investments*

As of June 30, 2020, 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
US Securities	Level 1	AA+/Aaa	\$ 626,520	-	\$ 626,520
NC Local Governments	Level 2	AAA/Aaa	683,394	683,394	-
Commercial Paper	Level 2	A-1+/P-1	998,292	998,292	-
NCCMT Government Portfolio	Level 1	AAAam	9,749,630	9,749,630	-
NCCMT Term Portfolio	Level 1	Unrated	505,137	505,137	-
Total			\$ 12,562,973	11,936,453	\$ 626,520

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

<sup>(1)</sup> See Note I.C.13 for details of the City's fair value hierarchy.

NCCMT = North Carolina Capital Management Trust

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## A. Deposits and Investments (Continued)

*Investments (Continued)*

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

**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 had debt securities that were more than 5% of the City's total investments with Gaston County (5.4%) and Charlotte-Mecklenburg Hospital Authority (7.9%).

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2020 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.).

*Reconciliation to the Financial Statements*

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

Description	Amount
Carrying Amount of Deposits	\$ 19,928,312
Fair Value of Investments	12,562,973
Total Deposits and Investments	<u>\$ 32,491,285</u>
Statement of Net Position:	
Pooled Cash and Cash Equivalents	\$ 5,043,261
Pooled Cash and Cash Equivalents, Restricted	15,396,144
Pooled Investments	12,051,880
Total Cash and Investments	<u>\$ 32,491,285</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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

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

*Property Taxes (Continued)*

Gross property taxes receivable of approximately \$424,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$179,000. 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 2020 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2019, were levied in July 2019 based on a rate of .490 (same as prior year), .260 (.020 decrease from prior year), and .170 (.050 increase from 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 2019 was approximately \$2.1 billion, \$117.0 million, and \$20.5 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).

*Note Receivable*

The City entered into two note receivables during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 were to begin in January 2020 and continue through December 2027. The balance on this note at June 30, 2020 was approximately \$193,000. The second note was for \$500,000 with no interest. A payment of \$100,000 was to be made in June 2020 and then annual installments of \$50,000 are to begin in December 2027 and continue through December 2034. No payment was made on this note as the City extended the due date to December 2020.

*Intergovernmental and Other Receivables*

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

*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, 2020, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Fund(s)	Deferred Inflows of Resources		Liabilities	Total
		Unavailable	Deferred	Unearned	
Unavailable Revenue - Property Taxes	General/Special Revenue	\$ 245,149	-	-	\$ 245,149
Unavailable Revenue - Grants	General/Special Revenue	123,834	-	-	123,834
Prepaid - Taxes	General	-	1,231	-	1,231
Unearned Revenues	General/Special Revenue	-	-	33,230	33,230
Total		<u>\$ 368,983</u>	<u>1,231</u>	<u>33,230</u>	<u>\$ 403,444</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## 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, 2020 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, 2020, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 512,425	\$ -
<b><u>Non-Major Governmental Funds:</u></b>		
Special Revenue Funds	-	512,425
Totals	<u>\$ 512,425</u>	<u>\$ 512,425</u>

For the year ended June 30, 2020, the City had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ -	\$ 235,683
Governmental Capital Projects Fund	275,629	50,915
<b><u>Non-Major Governmental Funds:</u></b>		
Special Revenue Funds	120,915	79,946
<b><u>Major Enterprise Funds:</u></b>		
Water/Sewer Fund	-	30,000
Totals	<u>\$ 396,544</u>	<u>\$ 396,544</u>

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 and construct assets. 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 \$30,000 to the Governmental Capital Projects Fund to fund its portion of the cost of the fiber infrastructure improvement project. The General Fund transferred out approximately \$166,000 to the Governmental Capital Projects Fund to fund the downtown parking deck project, fiber infrastructure improvement project, and various other projects. The General Fund also transferred out approximately \$70,000 to the Grants Fund to fund streetscape improvements. The Main Street Tax District Fund transferred out approximately \$80,000 to the Governmental Capital Projects Fund to fund the downtown public restroom project.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2020

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

## D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 4,437,354	275,610	-	-	\$ 4,712,964
Construction In Progress	2,952,202	1,635,456	-	(2,991,964)	1,595,694
Total Capital Assets, Non-Depreciable	7,389,556	1,911,066	-	(2,991,964)	6,308,658
Capital Assets, Depreciable:					
Buildings and Improvements	12,434,484	43,825	-	2,991,964	15,470,273
Other Improvements	5,112,121	-	-	-	5,112,121
Machinery and Equipment	8,203,473	878,610	81,039	-	9,001,044
Software	413,918	-	-	-	413,918
Infrastructure	18,380,719	-	-	-	18,380,719
Total Capital Assets, Depreciable	44,544,715	922,435	81,039	2,991,964	48,378,075
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,805,155	283,646	-	-	5,088,801
Other Improvements	3,684,990	154,407	-	-	3,839,397
Machinery and Equipment	5,245,373	669,723	68,686	-	5,846,410
Software	372,111	24,264	-	-	396,375
Infrastructure	8,171,797	729,941	-	-	8,901,738
Total Accumulated Depreciation	22,279,426	1,861,981	68,686	-	24,072,721
Total Capital Assets, Depreciable, Net	22,265,289	(939,546)	12,353	2,991,964	24,305,354
Governmental Activities Capital Assets, Net	\$ 29,654,845	971,520	12,353	-	\$ 30,614,012

Ongoing construction in progress in the City's governmental activities primarily related to the Police Department Headquarters, Tracey Grove Road Bridge, and 4<sup>th</sup> Avenue-Grey Mill streetscape projects. The City had remaining commitments on these projects in the amount of approximately \$9,951,000 as of June 30, 2020.

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	\$ 179,109	\$ 374,369
Public Safety	1,588,888	597,837
Transportation	99,249	714,333
Economic and Physical Development	315,226	12,498
Cultural and Recreational	651,029	162,944
Total - Governmental Activities	\$ 2,833,501	\$ 1,861,981

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2020

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

## D. Capital Assets (Continued)

The cost of machinery and equipment recorded under capital lease in governmental activities was approximately \$521,000 and accumulated amortization was approximately \$28,000 at June 30, 2020. Amortization of assets recorded under capital lease obligations has been included with depreciation expense

Capital asset activity for the City's business-type activities for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Business-Type Activities:</b>					
<i>Water and Sewer Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 2,856,684	250,965	-	-	\$ 3,107,649
Construction In Progress	8,426,971	6,119,015	-	(5,953,513)	8,592,473
Total Capital Assets, Non-Depreciable	11,283,655	6,369,980	-	(5,953,513)	11,700,122
Capital Assets, Depreciable:					
Buildings	1,553,056	36,602	-	-	1,589,658
Plant and Distributions Systems	103,138,297	3,499,843	-	5,953,513	112,591,653
Machinery and Equipment	18,785,377	748,996	22,638	-	19,511,735
Other Improvements	139,686	63,248	-	-	202,934
Software	163,453	-	-	-	163,453
Total Capital Assets, Depreciable	123,779,869	4,348,689	22,638	5,953,513	134,059,433
Less: Accumulated Depreciation for:					
Buildings	776,292	52,580	-	-	828,872
Plant and Distributions Systems	40,073,121	2,533,527	-	-	42,606,648
Machinery and Equipment	15,605,876	651,411	22,638	-	16,234,649
Other Improvements	9,887	10,744	-	-	20,631
Software	132,595	19,348	-	-	151,943
Total Accumulated Depreciation	56,597,771	3,267,610	22,638	-	59,842,743
Total Capital Assets, Depreciable, Net	67,182,098	1,081,079	-	5,953,513	74,216,690
Water and Sewer Fund Capital Assets, Net	\$ 78,465,753	7,451,059	-	-	\$ 85,916,812

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Business-Type Activities (Continued):</b>					
<i>Environmental Service Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 11,134	-	-	-	\$ 11,134
Total Capital Assets, Non-Depreciable	11,134	-	-	-	11,134
Capital Assets, Depreciable:					
Machinery and Equipment	1,810,263	248,038	-	-	2,058,301
Less: Accumulated Depreciation for:					
Machinery and Equipment	1,162,640	162,237	-	-	1,324,877
Total Capital Assets, Depreciable, Net	647,623	85,801	-	-	733,424
Environmental Service Fund Capital Assets, Net	<u>\$ 658,757</u>	<u>85,801</u>	<u>-</u>	<u>-</u>	<u>\$ 744,558</u>
<i>Stormwater Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 88,415	21,843	-	-	\$ 110,258
Construction In Progress	-	35,767	-	-	35,767
Total Capital Assets, Non-Depreciable	88,415	57,610	-	-	146,025
Capital Assets, Depreciable:					
Plant and Distributions Systems	360,465	24,850	-	-	385,315
Machinery and Equipment	17,000	226,126	-	-	243,126
Total Capital Assets, Depreciable	377,465	250,976	-	-	628,441
Less: Accumulated Depreciation for:					
Plant and Distributions Systems	11,949	14,667	-	-	26,616
Machinery and Equipment	142	10,493	-	-	10,635
Total Accumulated Depreciation	12,091	25,160	-	-	37,251
Total Capital Assets, Depreciable, Net	365,374	225,816	-	-	591,190
Stormwater Fund Capital Assets, Net	<u>\$ 453,789</u>	<u>283,426</u>	<u>-</u>	<u>-</u>	<u>\$ 737,215</u>
Business-Type Activities Capital Assets, Net	<u>\$ 79,578,299</u>	<u>7,820,286</u>	<u>-</u>	<u>-</u>	<u>\$ 87,398,585</u>

Ongoing construction in progress in the City's business-type activities represents costs related primarily to Streambank Restoration, Etowah Water Improvement, and the French Broad River Intake projects. The City had remaining commitments on these projects in the amount of approximately \$9,375,000 as of June 30, 2020.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## 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	\$ 10,718,669	\$ 3,267,610
Environmental Services	248,038	162,237
Stormwater	308,586	25,160
Total - Business-Type Activities	<u>\$ 11,275,293</u>	<u>\$ 3,455,007</u>

Capital asset activity for the ABC Board for the year ended June 30, 2020, 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	1,073,913	-	-	1,073,913
Other Improvements	520,339	49,801	15,984	554,156
Furniture and Equipment	219,860	4,851	-	224,711
Vehicles	26,646	24,039	-	50,685
Computer Equipment	201,320	-	-	201,320
Total Capital Assets, Depreciable	<u>2,042,078</u>	<u>78,691</u>	<u>15,984</u>	<u>2,104,785</u>
Less: Accumulated Depreciation for:				
Buildings	480,628	22,118	-	502,746
Other Improvements	154,470	28,100	15,984	166,586
Furniture and Equipment	178,543	18,463	-	197,006
Vehicles	26,646	4,407	-	31,053
Computer Equipment	123,422	22,374	-	145,796
Total Accumulated Depreciation	<u>963,709</u>	<u>95,462</u>	<u>15,984</u>	<u>1,043,187</u>
Total Capital Assets, Depreciable, Net	<u>1,078,369</u>	<u>(16,771)</u>	<u>-</u>	<u>1,061,598</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,718,460</u>	<u>(16,771)</u>	<u>-</u>	<u>\$ 1,701,689</u>

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

Capital Asset Additions	Depreciation Expense
<u>\$ 78,691</u>	<u>\$ 95,462</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## 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. These issuances were obtained/issued through direct borrowings or direct placements. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. Revenue Bonds (“RB”) are obligations of the City that are secured by revenue from the water/sewer utility fund. State Revolving Loans (“SRL”) are loans from the Clean Water State Revolving Fund and Drinking Water State Revolving Fund for costs associated with water/sewer systems improvements. Debt service payments on RB and SRL are generally payable from the revenues of the water/sewer system and any other monies due to the City from the State may be withheld by the State and applied to the payment if the City fails to pay any payment of principal or interest. The Installment Purchase Contracts (“IPC”) and Capital Leases are generally collateralized by the assets being financed, are not secured by the taxing power of the City, and are subject to acceleration clauses in an event of default (nonpayment, etc.).

Details on the City’s outstanding debt issues as of June 30, 2020 are as follows:

	Balance at June 30, 2020
<b><i>General Obligation Bonds</i></b>	
\$1,352,000 General Obligation Refunding Bond, Series 2017 (general obligation bonds) issued in October 2017 (“GORB – October 2017”), due in annual installments of \$9,000 to \$166,000 beginning on March 1, 2018 through March 1, 2027, plus interest of 2.02% due semi-annually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008.	\$ 1,013,000
<b><i>Revenue Bonds</i></b>	
\$12,897,000 Water and Sewer Revenue Bond issued in December 2019 (“RB – December 2019”), due in annual installments of \$477,000 to \$1,238,000 beginning on June 1, 2020 through June 1, 2034, plus interest at 1.87% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment and to current refund the Installment Purchase Contract with JP Morgan Chase Bank.	12,100,000
<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.	1,325,000
\$571,781 State Revolving Loan finalized in May 2011 (“SRL – May 2011”), due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	314,480
\$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.	1,361,250
\$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.	\$ 3,255,450

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## E. Long-Term Obligations (Continued)

	Balance at June 30, 2020
<i>State Revolving Loans (Continued)</i>	
\$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.	\$ 2,088,721
\$2,982,484 approved State Revolving Loan of which only \$1,399,033 has been drawn down through June 2020 ("SRL – June 2020 – Streambank"). Once fully drawn down, the loan will be due in annual installments of \$149,124 beginning on May 1, 2022 through May 1, 2041, with no interest. The proceeds of this issue are being used for the Streambank Restoration project.	1,399,033
\$5,370,932 approved State Revolving Loan of which only \$533,778 has been drawn down through June 2020 ("SRL – June 2020 – Northside"). Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2022 through May 1, 2041, plus interest at 1.23% due semi-annually. The proceeds of this issue are being used for the Northside Water System project.	533,778
<i>Installment Purchase Contracts</i>	
\$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.	3,900,000
\$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.	89,962
\$242,500 Installment Purchase Contract with Entegra issued in June 2017 ("IPC – June 2017"), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.	536,250
\$2,500,000 Installment Purchase Contract with Pinnacle issued in October 2018 ("IPC – October 2018"), due in annual installments of \$166,000 to \$167,000 beginning October 1, 2019 through October 1, 2033, plus interest at 3.18% due semi-annually. The proceeds of this issue were used to construct a maintenance building and a restroom facility.	2,333,000
\$465,100 Installment Purchase Contract with Pinnacle issued in June 2019 ("IPC – June 2019"), due in semi-annual installments of \$44,117 to \$49,347 beginning December 3, 2019 through June 3, 2024, plus interest at 2.25% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment.	376,362
\$468,439 Installment Purchase Contract with US Bank in June 2020 ("IPC – June 2020 – Freightliners"), due in annual installments of \$45,034 to \$48,696 beginning December 19, 2020 through December 19, 2025, plus interest at 1.90% due semi-annually. The proceeds of this issue were used to purchase three freightliner street sweepers.	\$ 468,439

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## E. Long-Term Obligations (Continued)

	Balance at June 30, 2020
<i>Installment Purchase Contracts (Continued)</i>	
\$11,500,000 Installment Purchase Contract with HomeTrust Bank issued in June 2020 (“IPC – June 2020 – PD Headquarters”). The total loan amount is due on June 1, 2022, plus interest at 1.79% due semi-annually. The proceeds of this issue were used as interim financing for the construction of the Police Department Headquarters. It is the City’s intent that this loan will be replaced at maturity with a long-term USDA loan.	\$11,500,000
<i>Capital Leases</i>	
\$521,478 in leases with Enterprise issued at various times from October 2019 through May 2020 (“Enterprise Leases – 2020”). Each lease requires payments of \$401 to \$734 (principal and interest) per month for 60 months beginning with the inception date of the lease. These 15 vehicle leases have been treated as capital leases for financial reporting purposes (as the City will lease each vehicle for over 75% of its estimated useful life).	\$ 497,781

Interest paid on 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, 2020.

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*” (“GASB #73”) in 2017. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s Law Enforcement Officers Special Separation Allowance (“LEOSSA”), a single-employer defined benefit pension plan, which provides retirement benefits to the City’s qualified sworn law enforcement officers and its total pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance” for more details.

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## 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 governmental activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Direct Borrowings/Placements:					
General Obligation Bonds:					
GORB – October 2017	\$ 1,177,000	-	164,000	1,013,000	\$ 161,000
Total General Obligation Bonds	<u>1,177,000</u>	<u>-</u>	<u>164,000</u>	<u>1,013,000</u>	<u>161,000</u>
Installment Purchase Contracts:					
IPC - April 2013	4,200,000	-	300,000	3,900,000	300,000
IPC - September 2015	33,083	-	11,811	21,272	12,040
IPC - June 2017	574,078	-	37,828	536,250	38,752
IPC - October 2018	2,500,000	-	167,000	2,333,000	167,000
IPC - June 2019	465,100	-	88,738	376,362	90,799
IPC - June 2020 - PD Headquarters	-	11,500,000	-	11,500,000	-
Total Installment Purchase Contracts	<u>7,772,261</u>	<u>11,500,000</u>	<u>605,377</u>	<u>18,666,884</u>	<u>608,591</u>
Capital Leases:					
Enterprise Leases - 2020	-	521,478	23,697	497,781	104,296
Total Capital Leases	<u>-</u>	<u>521,478</u>	<u>23,697</u>	<u>497,781</u>	<u>104,296</u>
Total Direct Borrowings/Placements	8,949,261	12,021,478	793,074	20,177,665	873,887
Compensated Absences	737,886	465,642	418,074	785,454	392,727
Total OPEB Liability	1,577,804	741,692	-	2,319,496	-
Net Pension Liability - LGERS	2,693,806	438,655	-	3,132,461	-
Total Pension Liability - LEOSSA	1,069,048	124,436	-	1,193,484	-
Total Governmental Activities	<u>\$ 15,027,805</u>	<u>13,791,903</u>	<u>1,211,148</u>	<u>27,608,560</u>	<u>\$ 1,266,614</u>

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, 2020

## 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, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Direct Borrowings/Placements:					
Revenue Bonds:					
RB - December 2019	\$ -	12,897,000	797,000	12,100,000	\$ 1,211,000
Total Revenue Bonds	-	12,897,000	797,000	12,100,000	1,211,000
State Revolving Loans:					
SRF - November 2001	1,987,500	-	662,500	1,325,000	662,500
SRF - May 2011	343,069	-	28,589	314,480	28,589
SRF - June 2015	1,452,000	-	90,750	1,361,250	90,750
SRF - July 2015	3,472,480	-	217,030	3,255,450	217,030
SRF - March 2016	2,227,969	-	139,248	2,088,721	139,248
SRF - June 2020 - Streambank	-	1,399,033	-	1,399,033	-
SRF - June 2020 - Northside	-	533,778	-	533,778	-
Total State Revolving Loans	9,483,018	1,932,811	1,138,117	10,277,712	1,138,117
Installment Purchase Contracts:					
IPC - April 2012	6,986,072	-	6,986,072	-	-
IPC - September 2015	100,585	-	31,895	68,690	32,513
IPC - June 2020 - Freightliners	-	468,439	-	468,439	90,461
Total Installment Purchase Contracts	7,086,657	468,439	7,017,967	537,129	122,974
Total Direct Borrowings/Placements	16,569,675	15,298,250	8,953,084	22,914,841	2,472,091
Compensated Absences	394,586	414,914	303,504	505,996	252,998
Total OPEB Liability	1,255,418	287,670	-	1,543,088	-
Net Pension Liability - LGERS	1,943,885	435,474	-	2,379,359	-
Total Business-Type Activities	\$ 20,163,564	16,436,308	9,256,588	27,343,284	\$ 2,725,089

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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2020

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

## E. Long-Term Obligations (Continued)

Following is a summary of debt and capital lease requirements to maturity by year for the City's governmental activities as of June 30, 2020:

Year Ended June 30,	Direct Borrowing/Placement Debt						Total
	General Obligation Bonds		Installment Purchase Contracts		Capital Leases		
	Principal	Interest	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>							
2021	\$ 161,000	20,462	608,591	400,494	104,296	27,631	\$ 1,322,474
2022	158,000	17,210	12,108,889	386,016	104,296	27,631	12,802,042
2023	155,000	14,018	602,798	160,990	104,296	27,631	1,064,733
2024	152,000	10,888	606,486	141,997	104,296	27,631	1,043,298
2025	149,000	7,818	509,858	129,181	80,597	21,949	898,403
2026-2030	238,000	6,666	2,565,303	501,937	-	-	3,311,906
2031-2035	-	-	1,664,959	100,399	-	-	1,765,358
Totals	\$ 1,013,000	77,062	18,666,884	1,821,014	497,781	132,473	\$ 22,208,214

Following is a summary of debt service requirements to maturity by year for the City's business-type activities as of June 30, 2020:

Year Ended June 30,	Direct Borrowing/Placement Debt						Total
	Revenue Bonds		State Revolving Loans		Installment Purchase Contracts		
	Principal	Interest	Principal	Interest	Principal	Interest	
<b>Business-Type Activities:</b>							
2021	\$ 1,211,000	226,270	1,138,117	180,465	122,974	8,896	\$ 2,887,722
2022	1,215,000	203,624	1,234,757	158,102	128,224	6,827	2,946,534
2023	1,219,000	180,904	572,257	128,845	93,660	4,583	2,199,249
2024	1,225,000	158,109	572,258	118,867	95,301	2,941	2,172,476
2025	1,229,000	135,201	572,259	108,890	96,970	1,271	2,143,591
2026-2030	3,928,000	372,504	2,861,290	394,782	-	-	7,556,576
2031-2035	2,073,000	97,820	2,746,938	149,588	-	-	5,067,346
2036-2040	-	-	483,205	6,566	-	-	489,771
2041	-	-	96,631	328	-	-	96,959
Totals	\$ 12,100,000	1,374,432	10,277,712	1,246,433	537,129	24,518	\$ 25,560,224

In December 2019, the City issued the RB – December 2019 for \$12,897,000 and incurred bond issuance costs of approximately \$118,000. The new bonds provided resources to current refund the entire outstanding balance on the IPC – April 2012 in the amount of approximately \$6,210,000 and to provide new resources of approximately \$6,569,000 for ongoing water/sewer capital projects. The current refunding portion of this bond issuance was entered into to take advantage of the lower interest rates, resulting in a reduction of total debt service payments of approximately \$74,000 and resulted in an economic gain of approximately \$59,000.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

## E. Long-Term Obligations (Continued)

The City is in compliance with the rate covenant per Section 6.6 of the General Indenture, authorizing the issuance of RB - December 2019. Section 6.6 of the General Indenture requires (a) Revenues, together with 20% of the balance in the Surplus Fund at the end of the preceding Fiscal Year, at least equal (i) 100% of Current Expenses plus (ii) 120% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness and (b) Revenues at least equal (i) 100% of Current Expenses plus (ii) 110% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness. The rate covenant calculations for the year ended June 30, 2020 are as follows:

Water and Sewer Fund	
Revenues (1)	\$ 16,389,172
Current Expenses (2)	13,103,793
Surplus Fund (3)	14,209,511
Principal and Interest on Revenue Bond	910,218
Principal and Interest on Other Indebtedness	\$ 2,271,611
(a) Revenues plus 20% of Surplus Fund	\$ 19,231,074
(a)(i) 100% of Current Expenses	13,103,793
(a)(ii) 120% of Annual Principal and Interest on Revenue Bond	1,092,262
(a)(iii) 100% of Annual Principal and Interest on Other Indebtedness	2,271,611
	16,467,666
Covenant Met	\$ 2,763,409
(b) Revenues	\$ 16,389,172
(b)(i) 100% of Current Expenses	13,103,793
(b)(ii) 110% of Annual Principal and Interest on Revenue Bond	1,001,240
(b)(iii) 100% of Annual Principal and Interest on Other Indebtedness	2,271,611
	16,376,644
Covenant Met	\$ 12,528

(1) This does not include interest earned on bond proceeds of \$16,446.

(2) This does not include depreciation expense.

(3) This is the June 30, 2019 unrestricted cash and investment balance.

## IV. OTHER INFORMATION

## A. Risk Management

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## A. Risk Management (Continued)

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

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.

## 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).

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)**Benefits Provided (Continued)*

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.

*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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$1,185,000 and \$778,000 for the year ended June 30, 2020, 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, 2020, the City reported a liability of approximately \$5,512,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2019 measurement date, the City's proportion was 0.20183%, which was an increase of 0.00634% from its proportion of 0.19549% measured as of June 30, 2018.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## 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)*

For the year ended June 30, 2020, the City recognized pension expense of approximately \$2,521,000. At June 30, 2020, 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	\$ 943,763	\$ -
Changes in Assumptions	898,335	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	134,441	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	20,245	27,110
City Contributions Subsequent to the Measurement Date	1,184,667	-
	<u>\$ 3,181,451</u>	<u>\$ 27,110</u>

Approximately \$1,185,000 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 978,768
2022	307,871
2023	534,719
2024	148,316
Total	<u>\$ 1,969,674</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 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, 2018 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2014.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)**Actuarial Assumptions (Continued)*

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 (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	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)**Sensitivity Analysis (Continued)*

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,606,540	5,511,820	\$ (385,330)

*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.

*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, which 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, 2018 (actuary valuation date), the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	1
Active Plan Members	44
Total	<u>45</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 Statement #73.

*Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2018 actuarial valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Law Enforcement Officers Special Separation Allowance (Continued)**Actuarial Assumptions (Continued)*

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 percent (3.64% for prior measurement date)
Cost of Living Adjustments	N/A

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

The LEOSSA currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are then further adjusted for males and females.

*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 \$48,000 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of approximately \$1,193,000. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of approximately \$117,000.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 76,484	\$ 19,922
Changes of Assumptions and Other Inputs	65,018	37,216
City Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date	28,524	-
Total	<u>\$ 170,026</u>	<u>\$ 57,138</u>

Approximately \$29,000 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Law Enforcement Officers Special Separation Allowance (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Year Ended June 30,	Amount
2021	\$ 17,661
2022	17,661
2023	19,649
2024	16,813
2025	10,349
Thereafter	2,231
Total	<u>\$ 84,364</u>

*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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 1,295,407	\$ 1,193,484	\$ 1,101,146

*Schedule of Changes in Total Pension Liability*

## Schedule of Changes in Total Pension Liability

Total Pension Liability as of December 31, 2018	\$ 1,069,048
Changes for the Year:	
Service Cost at End of Year	60,562
Interest on the Total Pension Liability	38,281
Differences Between Expected and Actual Experience	24,162
Changes of Assumptions and Other Inputs	36,179
Benefit Payments	(34,748)
Net Changes	<u>124,436</u>
Total Pension Liability as of December 31, 2019	<u>\$ 1,193,484</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

**B. Retirement/Pension Plans (Continued)*****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, 2020 were \$192,000 which consisted of \$113,000 from the City and \$79,000 from the law enforcement officers.

***Firefighter’s and Rescue Squad Worker’s Pension Plan****Plan Description*

The State of North Carolina contributes, on behalf of the City, 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.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement/Pension Plans (Continued)

*Firefighter's and Rescue Squad Worker's Pension Plan (Continued)**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, 2020, the State contributed \$18,302,000 to the plan. The City's proportionate share of the State's contribution was approximately \$14,000. 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.

## C. Postemployment Benefits Other Than Pensions

*Healthcare Benefit Plan**Plan Description*

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

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

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

*Plan Membership*

As of June 30, 2019, the last actuarial valuation, the following members were covered by the HCB Plan's benefit terms:

	General Employees	Law Enforcement	Total
Retirees and Dependents Receiving Benefits	10	6	16
Active Plan Members	214	46	260
Totals	224	52	276

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## C. Postemployment Benefits Other Than Pensions (Continued)

*Healthcare Benefit Plan (Continued)**Plan Benefits and Contributions*

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees (\$1,042 for the measurement period). The City's retirees may continue with dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

During the year ended June 30, 2019 (measurement period), the City made contributions/benefit payments of approximately \$196,000 or 1.58% of annual covered payroll. The City provides healthcare coverage by paying a premium to the North Carolina League of Municipalities Health Benefits Trust ("NDLM HBT"). The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

*Actuarial Assumptions and Other Inputs*

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

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

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

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.00%
Discount Rate	3.50% (3.87% for prior measurement date)
Healthcare Cost Trend Rate	6.00% graded to 5.0% from 2024 and beyond
Payroll Growth	3.00% which includes inflation
Coverage Elections	100% of eligible retirees will elect coverage
Dependent Elections	No dependents are assumed to elect coverage
Mortality Table	MP-2019 (MP 2017 for prior measurement date)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014. The medical trend was updated to reflect the trend used in the June 30, 2019 actuarial valuation of the North Carolina State Health Plan.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## C. Postemployment Benefits Other Than Pensions (Continued)

*Healthcare Benefit Plan (Continued)**Discount Rate*

Pursuant to GASB #75, projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB Plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 3.50% at June 30, 2019 (measurement date).

*Total OPEB Liability and Changes in the Total OPEB Liability*

	Total OPEB Liability
Balance at July 1, 2019	\$ 2,833,222
Changes for the year	
Service cost	123,683
Interest	105,858
Difference between expected and actual experience	772,971
Assumption changes	222,593
Benefit payments	(195,743)
Net changes	1,029,362
Balance at June 30, 2020	\$ 3,862,584

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (3.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 4,278,757	3,862,584	\$ 3,500,624

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 3,483,112	3,862,584	\$ 4,324,050

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## C. Postemployment Benefits Other Than Pensions (Continued)

*Healthcare Benefit Plan (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the City recognized OPEB expense of approximately \$327,000. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 689,856	\$ -
Changes of Assumptions and Other Inputs	198,658	70,123
City Benefit Payments and Plan Administrative Costs Made Subsequent to the Measurement Date	194,820	-
Total	<u>\$ 1,083,334</u>	<u>\$ 70,123</u>

Approximately \$195,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative costs made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ 97,444
2022	97,444
2023	97,444
2024	97,444
2025	97,444
Thereafter	331,171
Total	<u>\$ 818,391</u>

*Death Benefit Plan*

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## 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, 2020.

*Commitment*

In June 2019, the City entered into an agreement for a new Enterprise Resource Planning ("ERP") system with Oracle for approximately \$1,059,000 to be paid over a five-year span.

In October 2019, the City entered into an agreement with American Tank Maintenance for water tank maintenance services. The terms of the agreement are \$80,911 per year for ten years.

## 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 \$14,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of approximately \$41,000 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, 2020. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firefighters or their department.

## F. Joint Activities

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

## G. Net Investment in Capital Assets

The Governmental Activities Net Investment in Capital Assets was calculated as follows:

**Governmental Activities:**

Capital Assets, Net	\$ 30,614,012
Long-Term Debt	(20,177,665)
Construction Payables	(403,296)
Unspent Debt Proceeds	10,302,712

**Governmental Activities - Net Investment in Capital Assets**

<u>\$ 20,335,763</u>
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## CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

## IV. OTHER INFORMATION (CONTINUED)

## H. Fund Balance

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

Total Fund Balance - General Fund	\$ 8,552,569
Less:	
Prepaid Items	(53,727)
Land Held for Sale/Redevelopment	(50,295)
Stabilization by State Statute	(2,499,480)
Appropriated Fund Balance for 2021 Budget	(1,257,155)
Unassigned Fund Balance - General Fund	<u>\$ 4,691,912</u>

The City has adopted an Available Fund Balance policy for the General Fund to be at a minimum of fifty percent (50%) of the City's population group average percent available fund balance.

## I. Reclassification of Fund Balances

Effective July 1, 2019, the Town elected to combine a number of its non-major special revenue funds in the Grants Fund and a number of its non-major capital projects funds into the Governmental Capital Projects Fund and Grants Fund. Due to these changes, the prior year ending fund balances for the Governmental Capital Projects Fund and Other Governmental Funds have been reclassified for approximately \$214,000.

## J. COVID-19 Health Pandemic

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, and in March 2020, classified the outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens.

As local and federal governments recommended or mandated restrictions on business and travel in an effort to curb the pandemic by changing consumer behavior, the City's revenues were significantly impacted. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the pandemic, the City cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the City's results of operations, net position/fund balance and liquidity for the year ended June 30, 2021.

## K. Subsequent Events

In July 2020 and January 2021, the City acquired real property for approximately \$1,125,000 and \$800,000, respectively, that is to be the site of a future parking garage.

In July 2020, the City was approved for loan assistance of approximately \$812,000 from the North Carolina State Reserve Program for the Ashe Street Neighborhood and 4th Avenue water and sewer replacement project.

In August 2020, the City entered into an agreement for approximately \$344,000 to Tarheel Paving for the 2020 resurfacing project.

In August 2020, the City was approved for loan assistance of approximately \$14,124,000 from the North Carolina Drinking Water State Revolving Fund to Construct a raw-water intake and raw-water pump station on the French Broad River.

**CITY OF HENDERSONVILLE, NORTH CAROLINA****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020**

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**IV. OTHER INFORMATION (CONTINUED)****K. Subsequent Events (Continued)**

In October 2020, the City was approved for loan assistance of approximately \$1,819,000 from the North Carolina Clean Water State Revolving Fund for the Ashe Street Neighborhood and 4th Avenue water and sewer replacement project.

In November 2020, the City was awarded a North Carolina Parks and Recreation Trust Fund grant for approximately \$376,000 for the Clear Creek Greenway project. The local match on the project is approximately \$990,000.

In November 2020, the City entered into an interlocal agreement with the Henderson County and the Economic Investment Fund of Henderson County, Inc ("Economic Investment Fund") to provide for the development of the Garrison Industrial Park. The City and Henderson County each loaned the Economic Investment Fund approximately \$1,200,000 to purchase the 41-acre property. The City and Henderson County are to be repaid by the Economic Investment Fund once the property is sold to an industrial client. The City was awarded a Golden LEAF Foundation grant for approximately \$556,000 to extend public water to the property.



## **Required Supplementary Information**



## CITY OF HENDERSONVILLE, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

## LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2020	2019	2018	2017
Beginning Balance of the Total Pension Liability	\$ 1,069,048	970,249	880,684	\$ 869,979
Changes for the Year:				
Service Cost	60,562	62,891	50,871	49,449
Interest on Total Pension Liability	38,281	30,114	33,536	30,213
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	24,162	83,614	(39,137)	-
Changes of Assumptions or Other Inputs	36,179	(43,296)	68,066	(21,588)
Benefit Payments	(34,748)	(34,524)	(23,771)	(47,369)
Net Changes	124,436	98,799	89,565	10,705
Ending Balance of the Total Pension Liability	\$ 1,193,484	1,069,048	970,249	\$ 880,684

## Notes to Schedule:

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

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

The discount rate used for each year was as follows: 3.26% 3.64% 3.16% 3.86%

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

## SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

## LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2020	2019	2018	2017
Total Pension Liability	\$ 1,193,484	1,069,048	970,249	\$ 880,684
Covered Payroll	\$ 2,386,117	2,282,787	2,160,041	\$ 2,069,581
Total Pension Liability as a Percentage of Covered Payroll	50.02%	46.83%	44.92%	42.55%

## Notes to Schedule:

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

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

The discount rate used for each year was as follows:

	3.26%	3.64%	3.16%	3.86%
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## CITY OF HENDERSONVILLE, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

## LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.201830%	0.195490%	0.185390%	0.174320%	0.176930%	0.130250%	0.129000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,511,820	4,637,691	2,832,246	3,699,654	794,051	(768,146)	\$ 1,554,945
City's Covered Payroll	\$ 12,439,887	11,705,774	10,505,338	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 Payroll	44.31%	39.62%	26.96%	36.56%	8.34%	-9.17%	20.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

**Notes to Schedule:**

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

## LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,184,667	987,487	901,020	783,926	691,249	679,268	\$ 598,874
Contributions in Relation to the Contractually Required Contribution:	1,184,667	987,487	901,020	783,926	691,249	679,268	598,874
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 12,974,903	12,439,887	11,705,774	10,505,338	10,120,748	9,515,789	\$ 8,378,808
Contributions as a Percentage of Covered Payroll:	9.13%	7.94%	7.70%	7.46%	6.83%	7.14%	7.15%

**Notes to Schedule:**

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE

## HEALTHCARE BENEFIT PLAN

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

## LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Changes for the Year:			
Service Cost	\$ 123,683	129,414	\$ 124,941
Interest	105,858	100,620	99,943
Difference Between Expected and Actual Experience	772,971	-	-
Changes of Assumptions	222,593	(89,335)	-
Benefit Payments	(195,743)	(236,193)	(175,737)
<b>Net Change in Total OPEB Liability</b>	<b>1,029,362</b>	<b>(95,494)</b>	<b>49,147</b>
<b>Total OPEB Liability - Beginning</b>	<b>2,833,222</b>	<b>2,928,716</b>	<b>2,879,569</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 3,862,584</b>	<b>2,833,222</b>	<b>\$ 2,928,716</b>
<b>Covered Payroll</b>	<b>\$ 12,405,563</b>	<b>10,236,625</b>	<b>\$ 10,236,625</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>31.14%</b>	<b>27.68%</b>	<b>28.61%</b>

## Notes to Schedule:

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

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

## Changes of assumptions:

The following are the discount rates used in each period: 3.50% 3.87% 3.58%

For 2020, the (a) mortality table was changed from MP-2017 to MP-2019 and (b) the medical trend was updated to reflect the trend used in the June 30, 2019 actuarial valuation of the North Carolina State Health Plan.



## 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

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

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 10,355,623	10,498,863	\$ 143,240
Penalties and Interest	21,500	43,369	21,869
Total	10,377,123	10,542,232	165,109
Other taxes and licenses:			
Beer and Wine	2,000	3,057	1,057
Local Vehicle Rental Tax	7,500	7,838	338
Total	9,500	10,895	1,395
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	3,462,780	3,620,383	157,603
Payment in Lieu of Taxes (External Sources)	71,346	71,346	-
Utility Sales Tax	980,000	960,122	(19,878)
Telecommunications Sales Tax	165,000	156,489	(8,511)
Video Franchise Fee	100,000	102,286	2,286
Beer and Wine Tax	60,000	61,294	1,294
ABC Profit Distribution	225,000	332,500	107,500
Court Fees	2,500	4,157	1,657
Total	5,066,626	5,308,577	241,951
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	383,682	380,200	(3,482)
ABC Revenue for Law Enforcement	40,000	40,000	-
On-Behalf-Of-Payments - Fire and Rescue	-	70,981	70,981
School Resource Officer	37,838	28,379	(9,459)
HHA Officer Reimbursement	68,125	52,500	(15,625)
Total	529,645	572,060	42,415
Permits and Fees:			
Building Permits and Inspection Fees	222,000	162,187	(59,813)
Business Registration Fee	14,000	11,765	(2,235)
Special Project Fees	11,700	25,715	14,015
Motor Vehicle Fees	200,000	200,070	70
Total	\$ 447,700	399,737	\$ (47,963)

(Continued)

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES (CONTINUED)</b>			
Sales And Services:			
Facility Rent	\$ 75,000	69,965	\$ (5,035)
Recreation Fees	19,000	21,460	2,460
Parking Fees	187,500	158,958	(28,542)
Cemetery Fees	15,000	19,500	4,500
Total	296,500	269,883	(26,617)
Investment Earnings	140,000	117,052	(22,948)
Miscellaneous Revenues:			
Parking Violations and Penalties	60,000	37,499	(22,501)
Miscellaneous	30,140	62,287	32,147
Total	90,140	99,786	9,646
<b>TOTAL REVENUES</b>	<b>16,957,234</b>	<b>17,320,222</b>	<b>362,988</b>
<b>EXPENDITURES</b>			
General Government:			
Governing Body:			
Salaries and Employee Benefits	38,956	39,555	(599)
Operating Expenditures	75,379	68,074	7,305
Special Appropriations	259,203	259,203	-
Total	373,538	366,832	6,706
Administration:			
Salaries and Employee Benefits	414,251	409,213	5,038
Operating Expenditures	148,999	155,219	(6,220)
Health and Wellness Allocation	164,948	164,948	-
Capital Outlay	1,080	-	1,080
Total	729,278	729,380	(102)
Finance:			
Salaries and Employee Benefits	262,643	228,117	34,526
Operating Expenditures	173,254	162,204	11,050
Total	435,897	390,321	45,576
City Engineer			
Salaries and Employee Benefits	228,264	213,271	14,993
Operating Expenditures	41,102	33,832	7,270
Capital Outlay	8,100	-	8,100
Total	\$ 277,466	247,103	\$ 30,363

(Continued)

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Information Technology:			
Operating Expenditures	\$ 496,013	436,628	\$ 59,385
Total	496,013	436,628	59,385
Legal Department:			
Salaries and Employee Benefits	110,460	110,260	200
Operating Expenditures	22,282	9,918	12,364
Total	132,742	120,178	12,564
Fleet Maintenance:			
Salaries and Employee Benefits	250,341	222,660	27,681
Operating Expenditures	100,839	74,032	26,807
Capital Outlay	12,000	5,729	6,271
Total	363,180	302,421	60,759
Building Maintenance:			
Salaries and Employee Benefits	274,818	256,964	17,854
Operating Expenditures	440,216	358,930	81,286
Capital Outlay	94,146	80,658	13,488
Total	809,180	696,552	112,628
Total General Government	3,617,294	3,289,415	327,879
Public Safety:			
Police:			
Salaries and Employee Benefits	4,695,378	4,328,212	367,166
Operating Expenditures	659,424	642,867	16,557
Capital Outlay	623,226	545,837	77,389
Total	5,978,028	5,516,916	461,112
Fire:			
Salaries and Employee Benefits	2,743,860	2,556,465	187,395
Operating Expenditures	800,171	589,137	211,034
Capital Outlay	194,296	177,883	16,413
On-behalf Payments - Firefighter's Relief Fund	-	70,981	(70,981)
Total	\$ 3,738,327	3,394,466	\$ 343,861

(Continued)

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Development Assistance:			
Salaries and Employee Benefits	\$ 334,735	326,099	\$ 8,636
Operating Expenditures	137,673	76,944	60,729
Total	472,408	403,043	69,365
Total Public Safety	10,188,763	9,314,425	874,338
Transportation:			
Public Works Administration:			
Salaries and Employee Benefits	313,112	315,503	(2,391)
Operating Expenditures	72,091	59,190	12,901
Total	385,203	374,693	10,510
Streets and Highways:			
Salaries and Employee Benefits	462,446	432,683	29,763
Operating Expenditures	224,564	207,886	16,678
Capital Outlay	52,100	52,043	57
Total	739,110	692,612	46,498
State Street Aid Allocation:			
Operating Expenditures	638,013	637,686	327
Traffic Engineering:			
Salaries and Employee Benefits	232,710	228,131	4,579
Operating Expenditures	265,750	232,023	33,727
Capital Outlay	69,514	43,803	25,711
Total	567,974	503,957	64,017
Total Transportation	2,330,300	2,208,948	121,352
Cultural and Recreation:			
Grounds Maintenance:			
Salaries and Employee Benefits	512,070	443,779	68,291
Operating Expenditures	113,121	98,413	14,708
Capital Outlay	21,977	16,482	5,495
Total	\$ 647,168	558,674	\$ 88,494

(Continued)

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Patton Park Pool:			
Operating Expenditures	\$ 114,809	99,859	\$ 14,950
Capital Outlay	26,000	-	26,000
Total	140,809	99,859	40,950
Total Cultural and Recreation	787,977	658,533	129,444
Debt Service:			
Principal	757,129	756,668	461
Interest and Bank Fees	372,462	260,934	111,528
Total Debt Service	1,129,591	1,017,602	111,989
<b>TOTAL EXPENDITURES</b>	<b>18,053,925</b>	<b>16,488,923</b>	<b>1,565,002</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,096,691)</b>	<b>831,299</b>	<b>1,927,990</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Capital Lease	521,479	521,478	(1)
Insurance Proceeds	32,999	61,798	28,799
Sale of Capital Assets	500	1,151	651
Transfers Out	(235,683)	(235,683)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>319,295</b>	<b>348,744</b>	<b>29,449</b>
Fund Balance Appropriated	777,396		(777,396)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>1,180,043</b>	<b>\$ 1,180,043</b>
FUND BALANCE, Beginning of Year		7,372,526	
<b>FUND BALANCE, End of Year</b>		<b>\$ 8,552,569</b>	

## **Governmental Capital Projects Funds**

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUPPLEMENTARY INFORMATION

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

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS (1)	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 1,262,000	593,114	-	593,114	\$ (668,886)
Local Contributions	377,260	377,260	-	377,260	-
Investment Earnings	62,786	54,557	944	55,501	(7,285)
<b>TOTAL REVENUES</b>	<b>1,702,046</b>	<b>1,024,931</b>	<b>944</b>	<b>1,025,875</b>	<b>(676,171)</b>
<b>EXPENDITURES</b>					
Current:					
General Government					
Operating Expenditures	854,000	633,561	111,500	745,061	108,939
Economic and Physical Development					
Operating Expenditures	10,000	3,694	-	3,694	6,306
Contingencies	22,000	-	-	-	22,000
Capital Outlay	24,843,095	6,581,096	1,721,603	8,302,699	16,540,396
Debt Service:					
Debt Issuance Costs	36,933	-	36,933	36,933	-
<b>TOTAL EXPENDITURES</b>	<b>25,766,028</b>	<b>7,218,351</b>	<b>1,870,036</b>	<b>9,088,387</b>	<b>16,677,641</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(24,063,982)</b>	<b>(6,193,420)</b>	<b>(1,869,092)</b>	<b>(8,062,512)</b>	<b>16,001,470</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	21,985,084	4,600,000	11,500,000	16,100,000	(5,885,084)
Transfers In	2,367,620	1,897,154	275,629	2,172,783	(194,837)
Transfers Out	(288,722)	(290,310)	(50,915)	(341,225)	(52,503)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>24,063,982</b>	<b>6,206,844</b>	<b>11,724,714</b>	<b>17,931,558</b>	<b>(6,132,424)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>13,424</b>	<b>9,855,622</b>	<b>9,869,046</b>	<b>\$ 9,869,046</b>
FUND BALANCE, Beginning of Year, as Previously Reported			(200,711)		
Reclassification of Fund Balance			214,135		
FUND BALANCE, Beginning of Year, Restated			13,424		
<b>FUND BALANCE, End of Year</b>			<b>\$ 9,869,046</b>		

(1) Prior year amounts have been changed due to a reclassification of fund balances, as several activities are now included in this fund which were not included in the prior year.

# **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.



## CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents, Restricted	\$ 312,581	-	\$ 312,581
Receivables, Net			
Interest	216	-	216
Taxes	14,595	-	14,595
Grants	279,609	-	279,609
Shared Taxes	62,667	-	62,667
Note Receivable	692,825	-	692,825
<b>TOTAL ASSETS</b>	<b>\$ 1,362,493</b>	<b>-</b>	<b>\$ 1,362,493</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 33,193	-	\$ 33,193
Accrued Salaries and Benefits	71	-	71
Due to Other Funds	512,425	-	512,425
Unearned Revenues	2	-	2
<b>TOTAL LIABILITIES</b>	<b>545,691</b>	<b>-</b>	<b>545,691</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	14,595	-	14,595
Unavailable Revenue - Grants Receivable	104,994	-	104,994
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>119,589</b>	<b>-</b>	<b>119,589</b>
<b>FUND BALANCES</b>			
Restricted For:			
Stabilization by State Statute	930,323	-	930,323
Economic Development	68,751	-	68,751
Public Safety	80,206	-	80,206
Cultural and Recreational	14,273	-	14,273
Committed - Organic Garden	3,230	-	3,230
Assigned For:			
Subsequent Year's Expenditures	132,125	-	132,125
Unassigned	(531,695)	-	(531,695)
<b>TOTAL FUND BALANCES</b>	<b>697,213</b>	<b>-</b>	<b>697,213</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,362,493</b>	<b>-</b>	<b>\$ 1,362,493</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2020

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND
<b>ASSETS</b>		
Pooled Cash and Cash Equivalents, Restricted	\$ 38,046	100,556
Receivables, Net		
Interest	109	107
Taxes	12,631	1,964
Grants	-	-
Shared Taxes	51,765	10,902
Note Receivable	-	-
<b>TOTAL ASSETS</b>	<b>\$ 102,551</b>	<b>113,529</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 12,425	1,498
Accrued Salaries and Benefits	-	71
Due to Other Funds	-	-
Unearned Revenues	2	-
<b>TOTAL LIABILITIES</b>	<b>12,427</b>	<b>1,569</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	12,631	1,964
Unavailable Revenue - Grants Receivable	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,631</b>	<b>1,964</b>
<b>FUND BALANCES</b>		
Restricted For:		
Stabilization by State Statute	51,874	11,009
Economic Development	-	68,751
Public Safety	-	-
Cultural and Recreational	-	-
Committed - Organic Garden	-	3,230
Assigned For:		
Subsequent Year's Expenditures	25,619	27,006
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<b>77,493</b>	<b>109,996</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 102,551</b>	<b>113,529</b>

<b>DRUG FORFEITURE FEDERAL FUND</b>	<b>GREY HOSIERY FUND</b>	<b>SAFER GRANT FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>GRANTS FUND</b>	<b>TOTAL SPECIAL REVENUE FUNDS</b>
-	-	-	173,979	-	\$ 312,581
-	-	-	-	-	216
-	-	-	-	-	14,595
-	-	-	-	279,609	279,609
-	-	-	-	-	62,667
-	-	-	-	692,825	692,825
-	-	-	<b>173,979</b>	<b>972,434</b>	<b>\$ 1,362,493</b>
-	-	-	-	19,270	\$ 33,193
-	-	-	-	-	71
-	-	-	-	512,425	512,425
-	-	-	-	-	2
-	-	-	-	<b>531,695</b>	<b>545,691</b>
-	-	-	-	-	14,595
-	-	-	-	104,994	104,994
-	-	-	-	<b>104,994</b>	<b>119,589</b>
-	-	-	-	867,440	930,323
-	-	-	-	-	68,751
-	-	-	80,206	-	80,206
-	-	-	14,273	-	14,273
-	-	-	-	-	3,230
-	-	-	79,500	-	132,125
-	-	-	-	(531,695)	(531,695)
-	-	-	<b>173,979</b>	<b>335,745</b>	<b>697,213</b>
-	-	-	<b>173,979</b>	<b>972,434</b>	<b>\$ 1,362,493</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2020

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>ASSETS</b>				
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 341,455	-	\$ 341,455
Unrestricted Intergovernmental	231,089	-	231,089
Restricted Intergovernmental	316,962	-	316,962
Special Events Income	71,160	-	71,160
Investment Earnings	3,171	-	3,171
Miscellaneous	33,890	-	33,890
<b>TOTAL REVENUES</b>	<b>997,727</b>	<b>-</b>	<b>997,727</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	390,841	-	390,841
Environmental Protection	15,898	-	15,898
Economic and Physical Development	533,430	-	533,430
Cultural and Recreational	619	-	619
Capital Outlay	265,833	-	265,833
Debt Service:			
Principal	36,406	-	36,406
Interest	17,031	-	17,031
<b>TOTAL EXPENDITURES</b>	<b>1,260,058</b>	<b>-</b>	<b>1,260,058</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(262,331)</b>	<b>-</b>	<b>(262,331)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Proceeds	1,819	-	1,819
Transfers In	120,915	-	120,915
Transfers Out	(79,946)	-	(79,946)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>42,788</b>	<b>-</b>	<b>42,788</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(219,543)</b>	<b>-</b>	<b>(219,543)</b>
FUND BALANCES, Beginning of Year, as Previously Reported	1,006,486	124,405	1,130,891
Reclassification of Fund Balances	(89,730)	(124,405)	(214,135)
FUND BALANCES, Beginning of Year, Restated	916,756	-	916,756
<b>FUND BALANCES, End of Year</b>	<b>\$ 697,213</b>	<b>-</b>	<b>\$ 697,213</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 306,316	35,139
Unrestricted Intergovernmental	192,574	38,515
Restricted Intergovernmental	-	-
Special Events Income	67,196	3,964
Investment Earnings	2,127	1,044
Miscellaneous	12,821	5,000
<b>TOTAL REVENUES</b>	<b>581,034</b>	<b>83,662</b>
<b>EXPENDITURES</b>		
Current:		
Public Safety	-	-
Environmental Protection	-	-
Economic and Physical Development	459,195	63,763
Cultural and Recreational	-	-
Capital Outlay	-	-
Debt Service:		
Principal	36,406	-
Interest	17,031	-
<b>TOTAL EXPENDITURES</b>	<b>512,632</b>	<b>63,763</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>68,402</b>	<b>19,899</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Insurance Proceeds	1,819	-
Transfers In	-	-
Transfers Out	(79,946)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(78,127)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(9,725)</b>	<b>19,899</b>
FUND BALANCES, Beginning of Year, as Previously Reported	87,218	90,097
Reclassification of Fund Balances	-	-
FUND BALANCES, Beginning of Year, Restated	87,218	90,097
<b>FUND BALANCES, End of Year</b>	<b>\$ 77,493</b>	<b>109,996</b>

DRUG FORFEITURE FEDERAL FUND	GREY HOSIERY FUND	SAFER GRANT FUND	SPECIAL REVENUE FUND	GRANTS FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	\$ 341,455
-	-	-	-	-	231,089
-	-	-	18,640	298,322	316,962
-	-	-	-	-	71,160
-	-	-	-	-	3,171
-	-	-	16,069	-	33,890
-	-	-	<b>34,709</b>	<b>298,322</b>	<b>997,727</b>
-	-	-	-	-	-
-	-	-	16,709	374,132	390,841
-	-	-	-	15,898	15,898
-	-	-	-	10,472	533,430
-	-	-	619	-	619
-	-	-	-	265,833	265,833
-	-	-	-	-	36,406
-	-	-	-	-	17,031
-	-	-	<b>17,328</b>	<b>666,335</b>	<b>1,260,058</b>
-	-	-	-	-	-
-	-	-	<b>17,381</b>	<b>(368,013)</b>	<b>(262,331)</b>
-	-	-	-	-	-
-	-	-	-	-	1,819
-	-	-	-	120,915	120,915
-	-	-	-	-	(79,946)
-	-	-	-	<b>120,915</b>	<b>42,788</b>
-	-	-	-	-	-
-	-	-	<b>17,381</b>	<b>(247,098)</b>	<b>(219,543)</b>
44,830	663,042	(35,299)	156,598	-	1,006,486
(44,830)	(663,042)	35,299	-	582,843	(89,730)
-	-	-	156,598	582,843	916,756
-	-	-	<b>173,979</b>	<b>335,745</b>	<b>\$ 697,213</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>REVENUES</b>				
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
FUND BALANCES, Beginning of Year, as Previously Reported	50,917	(89,730)	163,218	124,405
Reclassification of Fund Balances	(50,917)	89,730	(163,218)	(124,405)
FUND BALANCES, Beginning of Year, Restated	-	-	-	-
<b>FUND BALANCES, End of Year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ -</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 FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 297,282	303,762	\$ 6,480
Penalties and Interest	1,175	2,554	1,379
Sales and Use Taxes	190,000	192,574	2,574
Special Events Income	79,014	67,196	(11,818)
Investment Earnings	1,000	2,127	1,127
Miscellaneous	14,575	12,821	(1,754)
<b>TOTAL REVENUES</b>	<b>583,046</b>	<b>581,034</b>	<b>(2,012)</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	173,028	157,704	15,324
Operating Expenditures	265,179	241,394	23,785
Special Event Costs	65,650	60,097	5,553
Capital Outlay	17,000	-	17,000
Debt Service:			
Principal	36,406	36,406	-
Interest	16,753	17,031	(278)
<b>TOTAL EXPENDITURES</b>	<b>574,016</b>	<b>512,632</b>	<b>61,384</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,030</b>	<b>68,402</b>	<b>59,372</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Proceeds	-	1,819	1,819
Transfers Out	(79,946)	(79,946)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(79,946)</b>	<b>(78,127)</b>	<b>1,819</b>
Fund Balance Appropriated	70,916		(70,916)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(9,725)</b>	<b>\$ (9,725)</b>
FUND BALANCE, Beginning of Year		87,218	
<b>FUND BALANCE, End of Year</b>		<b>\$ 77,493</b>	

## CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - SEVENTH AVENUE TAX DISTRICT FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 35,190	35,002	\$ (188)
Penalties and Interest	100	137	37
Sales and Use Taxes	38,557	38,515	(42)
Special Events Income	405	3,964	3,559
Investment Earnings	900	1,044	144
Miscellaneous	5,000	5,000	-
<b>TOTAL REVENUES</b>	<b>80,152</b>	<b>83,662</b>	<b>3,510</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	59,046	46,190	12,856
Operating Expenditures	40,231	17,573	22,658
<b>TOTAL EXPENDITURES</b>	<b>99,277</b>	<b>63,763</b>	<b>35,514</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(19,125)</b>	<b>19,899</b>	<b>39,024</b>
Fund Balance Appropriated	19,125		(19,125)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>19,899</b>	<b>\$ 19,899</b>
FUND BALANCE, Beginning of Year		90,097	
<b>FUND BALANCE, End of Year</b>		<b>\$ 109,996</b>	

## CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - SPECIAL REVENUE FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Intergovernmental Revenue	\$ 10,000	13,793	18,640	32,433	\$ 22,433
Miscellaneous	14,679	39,491	16,069	55,560	40,881
<b>TOTAL REVENUES</b>	<b>24,679</b>	<b>53,284</b>	<b>34,709</b>	<b>87,993</b>	<b>63,314</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational					
Operating Expenditures	11,500	10,618	619	11,237	263
Public Safety					
Operating Expenditures	68,179	20,713	16,709	37,422	30,757
<b>TOTAL EXPENDITURES</b>	<b>79,679</b>	<b>31,331</b>	<b>17,328</b>	<b>48,659</b>	<b>31,020</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(55,000)</b>	<b>21,953</b>	<b>17,381</b>	<b>39,334</b>	<b>94,334</b>
Fund Balance Appropriated	55,000	-	-	-	(55,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>21,953</b>	<b>17,381</b>	<b>39,334</b>	<b>\$ 39,334</b>
FUND BALANCE, Beginning of Year			156,598		
<b>FUND BALANCE, End of Year</b>			<b>\$ 173,979</b>		

## CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - GRANTS FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS (1)	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Grant Revenue - CDBG	\$ 500,000	500,000	-	500,000	\$ -
Grant Revenue - DOJ	-	15,870	-	15,870	15,870
Grant Revenue - NCDPS	24,296	-	24,296	24,296	-
Grant Revenue - FEMA	1,551,616	53,552	269,838	323,390	(1,228,226)
Grant Revenue - NCDENR	582,379	416,002	-	416,002	(166,377)
Grant Revenue - NCDOT	-	4,530	-	4,530	4,530
Restricted Intergovernmental	10,000	16,807	4,188	20,995	10,995
Miscellaneous:					
Developer Reimbursement	40,000	39,945	-	39,945	(55)
<b>TOTAL REVENUES</b>	<b>2,708,291</b>	<b>1,046,706</b>	<b>298,322</b>	<b>1,345,028</b>	<b>(1,363,263)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department					
Operating Expenditures	99,296	4,530	31,796	36,326	62,970
Fire Department					
Salaries and Employee Benefits	1,550,694	88,851	342,336	431,187	1,119,507
Contingencies	922	-	-	-	922
Environmental Protection					
Professional Services	578,379	505,732	15,898	521,630	56,749
Contingencies	4,000	-	-	-	4,000
Economic and Physical Development					
Operating Expenditures	390,840	136,903	10,472	147,375	243,465
Capital Outlay	-	-	265,833	265,833	(265,833)
<b>TOTAL EXPENDITURES</b>	<b>2,624,131</b>	<b>736,016</b>	<b>666,335</b>	<b>1,402,351</b>	<b>1,221,780</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>84,160</b>	<b>310,690</b>	<b>(368,013)</b>	<b>(57,323)</b>	<b>(141,483)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(530,075)	(1,525)	-	(1,525)	528,550
Transfers In	565,187	457,950	120,915	578,865	13,678
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>35,112</b>	<b>456,425</b>	<b>120,915</b>	<b>577,340</b>	<b>542,228</b>
<b>SPECIAL ITEMS</b>					
Loss on Grey Hosiery Mill Redevelopment	(184,272)	(184,272)	-	(184,272)	-
<b>TOTAL SPECIAL ITEMS</b>	<b>(184,272)</b>	<b>(184,272)</b>	<b>-</b>	<b>(184,272)</b>	<b>-</b>
Fund Balance Appropriated	65,000	-	-	-	(65,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>582,843</b>	<b>(247,098)</b>	<b>335,745</b>	<b>\$ 335,745</b>
FUND BALANCE, Beginning of Year, as Previously Reported			-		
Reclassification of Fund Balance			582,843		
FUND BALANCE, Beginning of Year, Restated			582,843		
<b>FUND BALANCE, End of Year</b>			<b>\$ 335,745</b>		

(1) Prior year amounts have been changed due to a reclassification of fund balances, as several activities are now included in this fund which were not included in the prior year.



## 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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Water Sales	\$ 10,204,625	10,165,756	\$ (38,869)
Sewer Charges	5,504,401	5,368,257	(136,144)
Water and Sewer Taps	282,350	355,946	73,596
Miscellaneous Revenue	302,850	306,480	3,630
<b>Total Operating Revenues</b>	<b>16,294,226</b>	<b>16,196,439</b>	<b>(97,787)</b>
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	210,000	144,675	(65,325)
Other Non-Operating Revenue	30,900	38,894	7,994
<b>Total Nonoperating Revenues</b>	<b>240,900</b>	<b>183,569</b>	<b>(57,331)</b>
<b>TOTAL REVENUES</b>	<b>16,535,126</b>	<b>16,380,008</b>	<b>(155,118)</b>
<b>EXPENDITURES</b>			
Information Technology:			
Salaries and Employee Benefits	232,230	226,569	5,661
Contracted Services	291,968	276,155	15,813
Supplies	15,000	8,889	6,111
Other Departmental Expense	379,267	373,463	5,804
Total	918,465	885,076	33,389
Fleet Maintenance:			
Salaries and Employee Benefits	144,765	134,681	10,084
Contracted Services	2,068	-	2,068
Other Departmental Expense	1,479	1,478	1
Total	148,312	136,159	12,153
Administration:			
Salaries and Employee Benefits	1,154,898	1,078,433	76,465
Contracted Services	117,249	92,394	24,855
Supplies	13,465	12,424	1,041
Repairs and Maintenance	4,208	1,111	3,097
Capital Outlay	76,603	36,600	40,003
Health and Wellness Allocation	95,599	95,599	-
Other Departmental Expense	312,309	289,805	22,504
Total	1,774,331	1,606,366	167,965
Finance:			
Salaries and Employee Benefits	893,470	799,626	93,844
Contracted Services	119,780	90,755	29,025
Supplies	12,150	5,383	6,767
Repairs and Maintenance	425	-	425
Other Departmental Expense	245,783	220,952	24,831
Total	\$ 1,271,608	1,116,716	\$ 154,892

(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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Engineering:			
Salaries and Employee Benefits	\$ 603,528	530,364	\$ 73,164
Repairs and Maintenance	915	-	915
Capital Outlay	18,300	-	18,300
Other Departmental Expense	88,803	43,607	45,196
Total	711,546	573,971	137,575
Facilities Maintenance:			
Salaries and Employee Benefits	621,732	578,801	42,931
Contracted Services	155,302	139,757	15,545
Supplies	49,980	34,559	15,421
Repairs and Maintenance	247,734	125,808	121,926
Capital Outlay	570,000	443,748	126,252
Other Departmental Expense	356,909	273,281	83,628
Total	2,001,657	1,595,954	405,703
Water Treatment Plant:			
Salaries and Employee Benefits	811,974	797,932	14,042
Contracted Services	143,790	86,121	57,669
Utilities	351,564	240,852	110,712
Chemicals	469,650	445,680	23,970
Supplies	78,875	87,341	(8,466)
Repairs and Maintenance	107,240	94,827	12,413
Capital Outlay	573,300	548,144	25,156
Other Departmental Expense	214,692	209,022	5,670
Total	2,751,085	2,509,919	241,166
Operations Support:			
Salaries and Employee Benefits	619,691	565,802	53,889
Supplies	34,632	30,122	4,510
Repairs and Maintenance	13,528	15,037	(1,509)
Other Departmental Expense	66,250	63,478	2,772
Total	734,101	674,439	59,662
Water Distribution:			
Salaries and Employee Benefits	1,342,100	1,280,622	61,478
Contracted Services	61,643	20,776	40,867
Supplies	154,581	121,351	33,230
Repairs and Maintenance	398,433	376,127	22,306
Capital Outlay	231,122	417,435	(186,313)
Other Departmental Expense	147,153	120,572	26,581
Total	\$ 2,335,032	2,336,883	\$ (1,851)

## 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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Wastewater Treatment Plant:			
Salaries and Employee Benefits	\$ 641,984	650,083	\$ (8,099)
Contracted Services	40,900	36,836	4,064
Sludge Management	220,800	224,168	(3,368)
Utilities	336,000	284,948	51,052
Supplies	36,600	32,280	4,320
Repairs and Maintenance	182,432	183,053	(621)
Capital Outlay	73,371	73,371	-
Other Departmental Expense	74,299	63,955	10,344
Total	1,606,386	1,548,694	57,692
Wastewater Collection:			
Salaries and Employee Benefits	638,872	628,153	10,719
Contracted Services	40,000	25,860	14,140
Supplies	99,730	66,457	33,273
Repairs and Maintenance	287,228	174,858	112,370
Capital Outlay	3,899	12,169	(8,270)
Other Departmental Expense	112,805	82,705	30,100
Total	1,182,534	990,202	192,332
Debt Service:			
Principal Retirement	2,711,349	2,711,348	1
Interest and Other Charges	478,211	470,481	7,730
Total Debt Service	3,189,560	3,181,829	7,731
<b>TOTAL EXPENDITURES</b>	<b>18,624,617</b>	<b>17,156,208</b>	<b>1,468,409</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,089,491)</b>	<b>(776,200)</b>	<b>1,313,291</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(2,089,491)</b>	<b>(776,200)</b>	<b>1,313,291</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Debt	6,209,842	6,209,841	(1)
Payments to Refunding Debt Escrow Agent	(6,209,842)	(6,209,841)	1
Transfers In	392,000	392,000	-
Transfers Out	(593,183)	(343,183)	250,000
Insurance Proceeds	-	5,103	5,103
Sale of Capital Assets	7,025	9,164	2,139
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(194,158)</b>	<b>63,084</b>	<b>257,242</b>
Fund Balance Appropriated	\$ 2,283,649		\$ (2,283,649)

## 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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	(713,116)	<u>\$ (713,116)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Issuance of Debt		(6,209,841)	
Payment of Debt Principal		2,711,348	
Payments to Refunding Debt Escrow Agent		6,209,841	
Expenditures in Enterprise Capital Project Funds that were not Capitalized		(351,138)	
Capital Outlay		1,531,467	
Capital Contributions		2,876,942	
Interest Earned on Investments in Enterprise Capital Project Funds		16,446	
Change in Accrued Interest		68,339	
Depreciation		(3,267,610)	
Change in Net Pension (Liability) and Deferred Items Related to Pensions		(528,900)	
Change in Other Postemployment Benefits		85,036	
Change in Compensated Absences		(85,932)	
Transfers In in Enterprise Fund Capital Project Funds		63,183	
Transfers Out in Enterprise Capital Project Fund		(142,000)	
CHANGE IN NET POSITION		<u>\$ 2,264,065</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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Residential	\$ 1,050,000	1,075,429	\$ 25,429
Commercial	150,000	162,389	12,389
<b>Total Operating Revenues</b>	<b>1,200,000</b>	<b>1,237,818</b>	<b>37,818</b>
<b>Nonoperating Revenues:</b>			
Recycling Revenue	9,000	13,410	4,410
Interest Earned on Investments	8,000	2,253	(5,747)
Miscellaneous Revenue	1,800	3,945	2,145
<b>Total Nonoperating Revenues</b>	<b>18,800</b>	<b>19,608</b>	<b>808</b>
<b>TOTAL REVENUES</b>	<b>1,218,800</b>	<b>1,257,426</b>	<b>38,626</b>
<b>EXPENDITURES</b>			
Waste Collection and Treatment			
Salaries and Employee Benefits	872,129	813,260	58,869
Landfill Tipping Fees	206,000	208,058	(2,058)
Repairs and Maintenance	62,132	71,425	(9,293)
Health and Wellness Allocation	17,781	17,781	-
Other Departmental Expenses	158,670	112,627	46,043
Contracted Services	45,506	46,827	(1,321)
<b>Total</b>	<b>1,362,218</b>	<b>1,269,978</b>	<b>92,240</b>
Debt Service:			
Principal Retirement	31,906	31,895	11
Interest and Other Charges	1,723	1,732	(9)
<b>Total Debt Service</b>	<b>33,629</b>	<b>33,627</b>	<b>2</b>
Capital Outlay	267,808	248,038	19,770
<b>TOTAL EXPENDITURES</b>	<b>1,663,655</b>	<b>1,551,643</b>	<b>112,012</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(444,855)</b>	<b>(294,217)</b>	<b>150,638</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(444,855)</b>	<b>(294,217)</b>	<b>150,638</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Debt	295,000	242,439	(52,561)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 295,000</b>	<b>242,439</b>	<b>\$ (52,561)</b>

(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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Fund Balance Appropriated	\$ 149,855	-	\$ (149,855)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>(51,778)</b>	<b>\$ (51,778)</b>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(162,237)	
Issuance of Debt		(242,439)	
Payment of Debt Principal		31,895	
Capital Outlay		248,038	
Change in Accrued Interest		99	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(60,730)	
Change in Other Postemployment Benefits		(5,192)	
Change in Compensated Absences		(19,468)	
<b>CHANGE IN NET POSITION</b>		<b>\$ (261,812)</b>	

## 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, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Stormwater Fees	\$ 326,040	378,635	\$ 52,595
<b>Total Operating Revenues</b>	<b>326,040</b>	<b>378,635</b>	<b>52,595</b>
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	750	707	(43)
<b>Total Nonoperating Revenues</b>	<b>750</b>	<b>707</b>	<b>(43)</b>
<b>TOTAL REVENUES</b>	<b>326,790</b>	<b>379,342</b>	<b>52,552</b>
<b>EXPENDITURES</b>			
Stormwater			
Salaries and Employee Benefits	192,315	159,196	33,119
Contracted Services	108,677	108,585	92
Other Departmental Expenses	13,884	10,751	3,133
<b>Total</b>	<b>314,876</b>	<b>278,532</b>	<b>36,344</b>
Capital Outlay	253,276	250,976	2,300
<b>TOTAL EXPENDITURES</b>	<b>568,152</b>	<b>529,508</b>	<b>38,644</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(241,362)</b>	<b>(150,166)</b>	<b>91,196</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(241,362)</b>	<b>(150,166)</b>	<b>91,196</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Debt	226,000	226,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>226,000</b>	<b>226,000</b>	<b>-</b>
Fund Balance Appropriated	15,362	-	(15,362)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>75,834</b>	<b>\$ 75,834</b>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Issuance of Debt	(226,000)
Depreciation	(25,160)
Expenditures in Enterprise Capital Project Funds that were not Capitalized	(1,687)
Capital Outlay	250,976
Capital Contributions	21,843
Grant Revenue in Enterprise Capital Project Funds	36,789
Change in Accrued Interest	(108)
Change in Compensated Absences	(6,010)

<b>CHANGE IN NET POSITION</b>	<b>\$ 126,477</b>
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## **Enterprise Capital Project Funds**

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

## CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
WATER AND SEWER CAPITAL PROJECTS FUND - WATER AND SEWER CAPITAL PROJECTSSCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)  
(NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Grant Revenue - CDBG	\$ 1,040,500	1,040,500	-	1,040,500	\$ -
Grant Revenue - NCDEQ	150,000	150,000	-	150,000	-
Grant Revenue - NCDOC	226,764	190,686	-	190,686	(36,078)
Reimbursements	374,600	374,675	-	374,675	75
Local Contributions	111,936	8,096	-	8,096	(103,840)
Investment Earnings	14,252	-	16,446	16,446	2,194
<b>TOTAL REVENUES</b>	<b>1,918,052</b>	<b>1,763,957</b>	<b>16,446</b>	<b>1,780,403</b>	<b>(137,649)</b>
<b>EXPENDITURES</b>					
Current:					
Salaries and Employee Benefits	17,823	17,822	-	17,822	1
Professional Services	154,551	164,550	-	164,550	(9,999)
Engineering Services	637,400	87,400	131,085	218,485	418,915
Capital Outlay	60,341,022	11,524,090	6,310,260	17,834,350	42,506,672
Debt Service:					
Debt Issuance Costs	220,053	-	220,053	220,053	-
<b>TOTAL EXPENDITURES</b>	<b>61,370,849</b>	<b>11,793,862</b>	<b>6,661,398</b>	<b>18,455,260</b>	<b>42,915,589</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(59,452,797)</b>	<b>(10,029,905)</b>	<b>(6,644,952)</b>	<b>(16,674,857)</b>	<b>42,777,940</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	51,303,874	-	8,619,970	8,619,970	(42,683,904)
Transfers In	15,341,181	19,938,200	63,183	20,001,383	4,660,202
Transfers Out	(7,192,258)	(3,630,851)	(142,000)	(3,772,851)	3,419,407
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>59,452,797</b>	<b>16,307,349</b>	<b>8,541,153</b>	<b>24,848,502</b>	<b>(34,604,295)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>6,277,444</b>	<b>1,896,201</b>	<b>8,173,645</b>	<b>\$ 8,173,645</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
STORMWATER CAPITAL PROJECTS FUND - STORMWATER CAPITAL PROJECTS

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

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Grant Revenue - EPA	\$ 100,000	17,197	36,789	53,986	\$ (46,014)
<b>TOTAL REVENUES</b>	<b>100,000</b>	<b>17,197</b>	<b>36,789</b>	<b>53,986</b>	<b>(46,014)</b>
<b>EXPENDITURES</b>					
Capital Outlay	388,149	298,257	37,454	335,711	52,438
<b>TOTAL EXPENDITURES</b>	<b>388,149</b>	<b>298,257</b>	<b>37,454</b>	<b>335,711</b>	<b>52,438</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(288,149)</b>	<b>(281,060)</b>	<b>(665)</b>	<b>(281,725)</b>	<b>6,424</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	288,149	280,648	-	280,648	(7,501)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>288,149</b>	<b>280,648</b>	<b>-</b>	<b>280,648</b>	<b>(7,501)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>(412)</b>	<b>(665)</b>	<b>(1,077)</b>	<b>\$ (1,077)</b>



## **Internal Service Funds**

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Internal Service Funds are specifically designed for goods or services that are provided on a cost-reimbursement basis. The goal of an Internal Service Fund is to measure the full cost of providing 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 FUNDSCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL  
(NON-GAAP)

YEAR ENDED JUNE 30, 2020

	FINANCIAL PLAN	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services	\$ 278,328	278,328	\$ -
Grant Revenue	-	2,233	2,233
Miscellaneous	17,100	22,997	5,897
<b>Total Operating Revenues</b>	<b>295,428</b>	<b>303,558</b>	<b>8,130</b>
<b>TOTAL REVENUES</b>	<b>295,428</b>	<b>303,558</b>	<b>8,130</b>
<b>EXPENDITURES</b>			
Employee Benefits	295,428	254,996	40,432
<b>TOTAL EXPENDITURES</b>	<b>295,428</b>	<b>254,996</b>	<b>40,432</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>48,562</b>	<b>\$ 48,562</b>
NET POSITION, Beginning of Year		86,057	
NET POSITION, End of Year		<b>\$ 134,619</b>	

## **Agency Funds**

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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, 2020

	<u>BALANCE AT JUNE 30, 2019</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2020</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,135	30,194	22,835	\$ 15,494
<b>TOTAL ASSETS</b>	<u>\$ 8,135</u>	<u>30,194</u>	<u>22,835</u>	<u>\$ 15,494</u>
<b>LIABILITIES</b>				
Amounts Held for Custody for Others	\$ 8,135	30,194	22,835	\$ 15,494
<b>TOTAL LIABILITIES</b>	<u>\$ 8,135</u>	<u>30,194</u>	<u>22,835</u>	<u>\$ 15,494</u>

# Property Taxes

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

Fiscal year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	10,527,833	10,384,754	\$ 143,079
2018-2019	127,941	-	60,960	66,981
2017-2018	58,780	-	24,283	34,497
2016-2017	27,414	-	7,349	20,065
2015-2016	34,640	-	10,902	23,738
2014-2015	22,057	-	7,586	14,471
2013-2014	23,262	-	7,870	15,392
2012-2013	7,299	-	(2,444)	9,743
2011-2012	10,222	-	(13)	10,235
2010-2011	9,922	-	39	9,883
2009-2010	9,487	-	39	9,448
2008-2009	15,108	-	549	14,559
2007-2008	18,966	-	362	18,604
2006-2007	12,697	-	2,679	10,018
2005-2006	8,926	-	6,335	2,591
	<u>\$ 386,721</u>	<u>10,527,833</u>	<u>10,511,250</u>	403,304
Less allowance for uncollectible ad valorem taxes receivable				<u>172,750</u>
Ad valorem taxes receivable, net				<u>\$ 230,554</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 10,542,232
Penalties collected on ad valorem taxes - Agency Fund				12,683
Reconciling items:				
Interest collected				(43,665)
Discounts allowed				-
Total collections and credits				<u>\$ 10,511,250</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

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	\$ 2,151,764,372	0.49	\$ 10,543,645	9,850,137	\$ 693,508
Penalties	-		18,906	18,906	-
Total	2,151,764,372		10,562,551	9,869,043	693,508
Discoveries:					
Current year taxes	3,611,224	0.49	17,695	17,695	
Penalties	-		9,857	9,857	
			27,552	27,552	
Releases:					
Current year taxes	(11,610,612)	0.49	(56,892)	(56,892)	
Penalties	-		(5,378)	(5,378)	
			(62,270)	(62,270)	
Total property valuation	\$ 2,143,764,984				
Net levy			10,527,833	9,834,325	693,508
Uncollected taxes at June 30, 2020			143,079	143,079	6,199
Current year's taxes collected			\$ 10,384,754	9,691,246	\$ 687,309
Current levy collection percentage			98.64%	98.55%	99.11%

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

Fiscal year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	305,304	302,156	\$ 3,148
2018-2019	5,246	-	384	4,862
2017-2018	3,587	-	57	3,530
2016-2017	1,321	-	-	1,321
2015-2016	1,210	-	590	620
2014-2015	1,170	-	706	464
2013-2014	1,786	-	791	995
2012-2013	229	-	-	229
2011-2012	151	-	-	151
2010-2011	5	-	-	5
2009-2010	1,042	-	-	1,042
2008-2009	488	-	-	488
2007-2008	951	-	-	951
2006-2007	734	-	-	734
2005-2006	246	-	-	246
	<u>\$ 18,166</u>	<u>305,304</u>	<u>304,684</u>	18,786
Less allowance for uncollectible ad valorem taxes receivable				<u>6,155</u>
Ad valorem taxes receivable, net				<u>\$ 12,631</u>
Reconcilement with revenues:				
Ad valorem taxes - Main Street Tax District Fund				\$ 306,316
Penalties collected on ad valorem taxes - Agency Fund				1,085
Reconciling items:				
Interest collected				(2,717)
Discounts allowed				-
Total collections and credits				<u>\$ 304,684</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2020

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	\$ 116,088,892	0.26	\$ 301,831	298,298	\$ 3,533
Penalties	-		947	947	-
Total	116,088,892		302,778	299,245	3,533
Discoveries:					
Current year taxes	920,385	0.26	2,393	2,393	
Penalties	-		771	771	
			3,164	3,164	
Releases:					
Current year	(1,923)	0.26	(5)	(5)	
Penalties	-		(633)	(633)	
			(638)	(638)	
Total property valuation	\$ 117,007,354				
Net levy			305,304	301,771	3,533
Uncollected taxes at June 30, 2020			3,148	3,148	-
Current year's taxes collected			\$ 302,156	298,623	\$ 3,533
Current levy collection percentage			98.97%	98.96%	100.00%

## CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

Fiscal year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2018-2019	\$ -	35,211	34,037	\$ 1,174
2018-2019	826	-	510	316
2017-2018	85	-	41	44
2016-2017	231	-	80	151
2015-2016	44	-	16	28
2014-2015	77	-	20	57
2013-2014	31	-	26	5
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>\$ 1,612</u>	<u>35,211</u>	<u>34,730</u>	<u>2,093</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>129</u>
Ad valorem taxes receivable, net				<u>\$ 1,964</u>
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 35,139
Penalties collected on ad valorem taxes - Agency Fund				368
Reconciling items:				
Interest collected				(777)
Discounts allowed				-
Total collections and credits				<u>\$ 34,730</u>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2020

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	\$ 20,322,794	0.17	\$ 34,549	32,317	\$ 2,232
Penalties	-		-	-	-
Total	20,322,794		34,549	32,317	2,232
Discoveries:					
Current year taxes	520,588	0.17	885	885	
Penalties	-		436	436	
			1,321	1,321	
Releases:					
Current year	(347,647)	0.17	(591)	(591)	
Penalties	-		(68)	(68)	
			(659)	(659)	
Total property valuation	\$ 20,495,735				
Net levy			35,211	32,979	2,232
Uncollected taxes at June 30, 2020			1,174	1,174	-
Current year's taxes collected			\$ 34,037	31,805	\$ 2,232
Current levy collection percentage			96.67%	96.44%	100.00%



# **STATISTICAL SECTION**



# STATISTICAL SECTION

## TABLE OF CONTENTS

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

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<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity Information	147
<i>These schedules contain information to help the reader assess the City's most significant local revenue source.</i>	
Debt Capacity Information	151
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	155
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	157
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 16,829,139	17,530,422	17,077,486	17,860,656	16,304,268	18,615,092	19,614,200	19,926,250	21,020,174	\$ 20,335,763
Restricted	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753
Unrestricted	5,212,143	4,376,180	1,970,572	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633	1,110,510	982,519
Total Governmental Activities Net Position	\$ 25,088,847	24,864,375	24,910,553	24,505,775	24,037,536	26,948,761	26,631,012	25,862,352	25,416,559	\$ 25,058,035
Business-Type Activities										
Net Investment in Capital Assets	\$ 50,127,849	51,057,598	51,168,791	54,082,358	52,399,169	50,835,364	51,388,724	56,252,393	63,008,624	\$ 68,316,330
Unrestricted	21,453,888	23,526,746	25,322,705	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513	13,368,475	10,189,499
Total Business-Type Activities Net Position	\$ 71,581,737	74,584,344	76,491,496	78,534,867	78,429,785	76,606,414	74,120,467	74,983,906	76,377,099	\$ 78,505,829
Primary Government										
Net Investment in Capital Assets	\$ 66,956,988	68,588,020	68,246,277	71,943,014	68,703,437	69,450,456	71,002,924	76,178,643	84,028,798	\$ 88,652,093
Restricted	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753
Unrestricted	26,666,031	27,902,926	27,293,277	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146	14,478,985	11,172,018
Total Primary Government Net Position	\$ 96,670,584	99,448,719	101,402,049	103,040,642	102,467,321	103,555,175	100,751,479	100,846,258	101,793,658	\$ 103,563,864

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 2,152,324	2,301,254	2,359,071	2,374,428	2,813,625	2,583,313	3,157,971	3,054,736	3,885,983	\$ 3,798,995
Public Safety	6,256,423	6,910,168	6,281,514	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808	9,043,813	10,317,127
Transportation	2,155,725	2,116,715	2,046,441	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903	2,559,392	2,966,740
Environmental Protection	642,849	589,902	596,425	626,450	484,528	21,508	139,054	240,541	95,522	15,898
Economic and Physical Development	262,751	405,416	311,086	455,811	428,450	520,035	564,691	721,195	521,007	560,800
Cultural and Recreational	200,772	237,833	200,928	215,403	537,955	968,892	1,010,569	960,189	864,375	913,075
Interest on Long-Term Obligations	215,749	197,996	231,074	346,513	318,140	295,850	263,137	274,831	253,558	325,760
Total Governmental Activities	11,886,593	12,759,284	12,026,539	12,998,475	14,080,308	14,252,039	15,361,729	16,254,203	17,223,650	18,898,395
Business-Type Activities:										
Water and Sewer Fund	10,784,165	11,291,143	12,326,878	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569	16,069,699	16,993,598
Environmental Services Fund	1,014,552	1,064,379	993,094	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440	1,428,563	1,519,238
Storm Water	-	-	-	-	-	-	-	177,649	275,402	311,497
Total Business-Type Activities	11,798,717	12,355,522	13,319,972	14,160,097	17,225,873	18,670,373	19,823,469	16,569,658	17,773,664	18,824,333
Total Expenses	\$ 23,685,310	25,114,806	25,346,511	27,158,572	31,306,181	32,922,412	35,185,198	32,823,861	34,997,314	\$ 37,722,728
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	-	-	-	39,153	85,995	38,379	25,639	40,272	\$ 37,730
Public Safety	163,982	156,625	219,158	217,156	76,401	217,039	295,562	468,933	390,797	251,510
Transportation	73,432	83,540	75,042	98,555	-	-	-	-	153,295	200,070
Parks and Drainage	11,850	23,500	5,500	16,000	-	-	-	-	-	-
Cultural and Recreational	164,349	160,737	162,593	168,084	323,572	412,311	429,214	363,692	292,418	273,800
Operating Grants and Contributions	823,010	925,970	646,346	433,681	680,540	722,754	807,606	703,076	1,338,803	1,272,272
Capital Grants and Contributions	75,000	390,000	-	60,079	53,783	1,073,002	565,917	561,531	271,254	-
Total Governmental Activities	1,311,623	1,740,372	1,108,639	993,555	1,173,449	2,511,101	2,136,678	2,122,871	2,486,839	2,035,382
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	13,386,511	14,031,234	13,708,469	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817	16,067,138	16,196,439
Environmental Services Fund	837,913	868,123	928,295	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775	1,221,473	1,237,818
Storm Water Fund	-	-	-	-	-	-	-	241,568	341,334	378,635
Capital Grants and Contributions	285,014	122,019	-	580,014	1,177,512	46,537	679,969	1,820,530	1,421,287	2,935,574
Total Business-Type Activities	14,509,438	15,021,376	14,636,764	15,782,247	17,036,217	16,736,659	17,176,798	18,503,690	19,051,232	20,748,466
Total Program Revenues	\$ 15,821,061	16,761,748	15,745,403	16,775,802	18,209,666	19,247,760	19,313,476	20,626,561	21,538,071	\$ 22,783,848

(Continued)

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (10,574,970)	(11,018,912)	(10,917,900)	(12,004,920)	(12,906,859)	(11,740,938)	(13,225,051)	(14,131,332)	(14,736,811)	\$ (16,863,013)
Business-Type Activities	2,710,721	2,665,854	1,316,792	1,622,150	(189,656)	(1,933,714)	(2,646,671)	1,934,032	1,277,568	1,924,133
Total Net Expense	\$ (7,864,249)	(8,353,058)	(9,601,108)	(10,382,770)	(13,096,515)	(13,674,652)	(15,871,722)	(12,197,300)	(13,459,243)	\$ (14,938,880)
<b>General Revenues</b>										
Governmental Activities:										
Property Taxes	\$ 6,937,950	7,020,873	7,043,951	7,289,030	7,745,067	8,084,440	8,302,439	8,563,585	9,108,913	\$ 10,887,215
Sales & Use Tax	2,134,526	2,257,061	2,404,610	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984	3,427,281	3,807,868
Other Taxes	88,077	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,605	283,418
Franchise Taxes	1,703,333	1,277,026	1,298,877	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448	1,281,328	1,218,896
Restricted Intergovernmental Revenue	975,848	1,393,807	746,012	379,744	-	-	-	-	-	-
Permits and Fees	25,573	21,893	49,630	71,455	177,883	261,890	245,055	239,548	264,151	-
Sales and Services	251,706	269,352	245,360	-	-	-	-	-	-	-
Investment Earnings	24,430	15,046	11,245	16,374	53,142	117,250	45,477	60,808	220,110	121,167
Miscellaneous	211,301	135,760	122,713	68,735	234,357	335,338	293,332	337,144	211,310	155,925
Transfers	-	-	-	(228,720)	-	138,947	26,474	534,955	336,250	30,000
Special Items	-	-	-	-	-	-	-	-	(569,930)	-
Total Governmental Activities	12,352,744	12,936,997	12,453,998	11,600,142	12,675,434	13,426,826	13,391,824	14,222,016	14,291,018	16,504,489
Business-Type activities:										
Investment Earnings	22,068	18,426	15,033	34,318	157,767	277,173	85,509	106,643	331,817	164,081
Miscellaneous	12,455	17,332	9,625	158,183	91,806	64,501	101,689	196,496	114,735	61,352
Gain on Sale of Assets	-	-	-	-	-	-	-	-	5,323	9,164
Transfers	100,880	100,880	100,880	228,720	-	(138,947)	(26,474)	(534,955)	(336,250)	(30,000)
Total Business-Type Activities	135,403	136,638	125,538	421,221	249,573	202,727	160,724	(231,816)	115,625	204,597
Total Primary Government	\$ 12,488,147	13,073,635	12,579,536	12,021,363	12,925,007	13,629,553	13,552,548	13,990,200	14,406,643	\$ 16,709,086
<b>Change in Net Position:</b>										
Governmental Activities	\$ 1,777,774	1,918,085	1,536,098	(404,778)	(231,425)	1,685,888	166,773	90,684	(445,793)	\$ (358,524)
Business-Type Activities	2,846,124	2,802,492	1,442,330	2,043,371	59,917	(1,730,987)	(2,485,947)	1,702,216	1,393,193	2,128,730
Total Change in Net Position	\$ 4,623,898	4,720,577	2,978,428	1,638,593	(171,508)	(45,099)	(2,319,174)	1,792,900	947,400	\$ 1,770,206

Item A.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ -	-	-	-	8,805	63,057	474,265	461,013	72,783	\$ 104,022
Restricted for Stabilization by State Statute	922,385	1,288,518	805,835	925,946	1,058,260	1,790,318	1,830,006	2,513,576	2,117,460	2,499,480
Restricted for Public Safety	106,326	114,910	97,471	131,935	115,235	-	-	-	-	-
Restricted for Streets	221,653	262,335	289,674	-	-	-	-	-	-	-
Restricted for Economic Development	-	-	-	7,906	19,577	-	-	-	-	-
Assigned - Subsequent Year's Expenditures	929,710	881,240	1,318,210	1,122,300	701,672	436,981	1,017,696	612,000	713,196	1,257,155
Unassigned	7,022,022	5,822,117	6,410,105	6,207,146	6,200,178	5,091,043	4,326,041	3,956,453	4,469,087	4,691,912
Total General Fund	\$ 9,202,096	8,369,120	8,921,295	8,395,233	8,103,727	7,381,399	7,648,008	7,543,042	7,372,526	\$ 8,552,569
All Other Governmental Funds										
Nonspendable	\$ -	-	-	-	-	491	12,680	1,000	-	\$ 629,506
Restricted for Stabilization by State Statute	1,000	253,900	11,254	69,407	25,550	387,151	112,353	144,619	760,904	930,323
Restricted for General Government	-	-	-	-	-	1,428	3,689	424,000	3,470	-
Restricted for Economic Development	57,964	66,650	42,765	55,106	73,782	135,136	173,511	58,154	57,572	68,751
Restricted for Public Safety	-	-	3,191,465	189,615	52,786	110,261	43,673	94,610	118,458	80,206
Restricted for Cultural and Recreational	3,005	-	-	-	-	-	4,687	3,030	-	14,273
Restricted for Transportation	1,735,232	971,460	1,339,191	958,013	956,917	1,132,835	877,277	1,300,480	214,135	-
Restricted for Capital Projects	-	-	-	-	-	-	-	-	-	9,239,540
Committed - Organic Garden	-	-	-	-	-	-	3,230	3,230	3,230	3,230
Assigned - Subsequent Year's Expenditures	57,900	57,000	84,840	46,000	7,531	548,148	439,020	89,307	135,109	132,125
Assigned - Debt Service	-	-	-	-	-	508,419	146,344	-	-	-
Unassigned	(95,431)	(278,172)	-	-	-	(373,383)	(205,128)	(827,181)	(362,698)	(531,695)
Total All Other Governmental Funds	\$ 1,759,670	1,070,838	4,669,515	1,318,141	1,116,566	2,450,486	1,611,336	1,291,249	930,180	\$ 10,566,259
Total All Governmental Funds	\$ 10,961,766	9,439,958	13,590,810	9,713,374	9,220,293	9,831,885	9,259,344	8,834,291	8,302,706	\$ 19,118,828

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

**UNAUDITED**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Property Tax	\$ 6,937,950	7,020,873	7,043,951	7,319,539	7,666,438	8,096,500	8,232,001	8,573,856	9,132,571	\$ 10,883,687
Other Taxes	487,152	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,604	10,895
Unrestricted Intergovernmental	3,438,784	3,534,087	3,703,487	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053	5,090,200	5,539,666
Restricted Intergovernmental	975,848	1,393,807	746,012	595,052	609,063	1,757,512	1,303,087	949,686	1,534,819	889,022
Permits and Fees	25,573	21,893	49,630	48,088	49,602	103,712	143,613	257,704	412,876	399,737
Sales and Services	251,706	269,352	245,360	414,073	480,028	566,479	518,672	430,673	365,557	341,043
Investment Earnings	24,430	15,046	11,966	16,335	53,094	117,250	45,476	60,808	220,109	121,167
Miscellaneous	211,301	135,760	141,763	272,522	188,331	272,567	301,644	548,588	223,679	133,676
Total Revenues	\$ 12,352,744	12,936,997	12,473,769	12,830,040	13,707,246	15,712,532	15,376,848	15,656,912	16,991,415	\$ 18,318,893
<b>Expenditures</b>										
Current:										
General Government	\$ 2,052,333	2,153,295	2,374,576	2,228,056	3,184,950	2,441,963	2,843,232	2,793,058	3,587,116	\$ 3,314,528
Public Safety	6,018,523	6,322,638	6,999,222	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468	8,229,430	8,981,546
Transportation	2,233,485	3,752,372	2,994,120	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504	1,971,674	2,113,102
Environmental Protection	557,500	495,238	463,889	547,571	9,107	21,508	139,054	240,541	95,522	15,898
Economic & Physical Development	262,751	405,416	310,160	453,223	431,801	510,737	542,179	699,373	502,947	533,430
Cultural and Recreational	200,772	237,833	200,928	215,403	715,098	803,433	818,336	737,169	644,646	642,670
Capital Outlay ^	-	-	-	-	-	1,993,434	2,257,810	1,368,877	4,806,713	2,909,871
Debt Service:										
Principal	373,333	423,333	423,333	723,333	723,333	830,273	832,133	836,995	631,138	793,074
Interest and Fees	219,650	200,890	185,869	352,972	324,613	300,938	270,328	231,874	237,879	277,965
Bond Issuance Costs	-	-	-	-	-	-	-	29,550	-	36,933
Total Expenditures	11,918,347	13,991,015	13,952,097	16,478,756	14,517,990	15,695,806	16,683,690	16,699,409	20,707,065	19,619,017
Excess of Revenues Over (Under) Expenditures	\$ 434,397	(1,054,018)	(1,478,328)	(3,648,716)	(810,744)	16,726	(1,306,842)	(1,042,497)	(3,715,650)	\$ (1,300,124)

^ 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Other Financing Sources (Uses):</b>										
Proceeds of Debt - GO Bonds	\$ -	-	-	-	-	-	-	1,352,000	-	\$ 11,500,000
Proceeds of Debt - Notes Payable	-	-	6,000,000	-	242,500	78,533	655,000	-	2,965,100	-
Issuance of Capital Lease	-	-	-	-	-	-	-	-	-	521,478
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	-	(1,321,397)	-	-
Sale of Capital Assets	-	-	-	-	18,090	2,125	8,972	1,700	23,207	1,151
Insurance Recovery	-	-	-	-	57,073	96,383	43,855	50,186	43,780	63,617
<b>Operating Transfers From (To) Other Funds:</b>										
<b>Enterprise Fund:</b>										
Environmental Services Fund	(249,790)	(285,270)	(269,940)	(127,840)	-	-	-	-	-	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(100,880)	-	138,947	26,474	625,539	378,250	30,000
Storm Water fund	-	-	-	-	-	-	-	(90,584)	(42,000)	-
Health & Welfare Fund	-	(81,640)	-	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	313,360	303,840	293,970	-	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	(245,472)	(1,100,266)	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	(27,600)	-	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	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	(66,412)	-	(45,000)	189,046	-	-	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(24,690)	(23,390)	(38,080)	(37,470)	-	-	-	-	-	-
Rails-to-Trails Project Grant Fund	-	(16,785)	-	-	-	-	-	-	-	-
Britton Creek Stormwater Master Plan Project	(5,556)	-	-	-	-	-	-	-	-	-
	(306,790)	(1,204,391)	5,912,470	22,856	317,663	315,988	734,301	617,444	3,368,337	12,116,246
Special Items	-	-	-	-	-	-	-	-	(184,272)	-
Net Change in Fund Balances	\$ 127,607	(2,258,409)	4,434,142	(3,625,860)	(493,081)	332,714	(572,541)	(425,053)	(531,585)	\$ 10,816,122
Capital Asset Expenditures	\$ 847,347	2,348,420	2,815,434	4,064,359	1,333,272	2,031,608	2,298,582	1,363,198	4,804,733	\$ 2,833,501
Debt Service as a Percentage of Noncapital Expenditures *	5.4%	5.4%	5.5%	8.7%	7.9%	8.3%	7.7%	7.0%	5.5%	6.4%

\* - 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.

Item A.

**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							
2011	\$ 825,118,067	735,001,163	77,596,316	\$ 132,738,061	2011	\$ 14,801,507	\$ 1,755,652,100	0.71	\$ 1,757,636,949	99.9%	
2012	757,796,620	677,032,408	76,152,188	139,388,978	2012	13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%	
2013	750,214,548	681,531,593	79,490,976	133,819,795	2013	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%	
2014	867,439,562	601,013,269	133,799,024	111,836,701	2014	13,190,519	1,700,898,037	0.81	1,700,916,367	100.0%	
2015	860,792,797	622,571,755	121,051,969	130,347,339	2015	10,594,200	1,724,169,660	0.84	1,733,530,726	99.5%	
2016	869,531,034	628,891,720	127,865,067	126,562,294	2016	13,449,401	1,739,400,714	0.86	1,844,539,463	94.3%	
2017	869,827,543	629,106,171	136,782,391	117,221,370	2017	13,914,601	1,739,022,874	0.86	2,003,482,574	86.8%	
2018	881,579,895	637,606,103	134,141,102	115,895,380	2018	13,876,051	1,755,346,429	0.87	2,017,639,574	87.0%	
2019	758,917,288	777,919,406	141,273,265	137,921,560	2019	13,565,701	1,802,465,818	0.89	2,025,242,492	89.0%	
2020	\$ 940,032,962	920,894,622	141,532,245	\$ 154,779,155	2020	\$ 13,474,000	\$ 2,143,764,984	0.92	\$ 2,330,179,330	92.0%	

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2020. 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**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fiscal Year</b>										
<b>City Direct Rates:</b>										
General Fund Rate	0.380	0.410	0.410	0.410	0.440	0.460	0.460	0.470	0.490	0.490
Main Street Tax District	0.250	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.260
Seventh Avenue District	0.080	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.170
Total Direct Rate	0.710	0.810	0.810	0.810	0.840	0.860	0.860	0.870	0.890	0.920
<b>County Rates:</b>										
Henderson County	0.462	0.5136	0.5136	0.5136	0.5136	0.5136	0.5650	0.5650	0.5650	0.5610
Town of Fletcher	0.320	0.3250	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400	0.3400
Town of Laurel Park	0.310	0.3600	0.3600	0.0360	0.3900	0.4300	0.4300	0.4300	0.4300	0.4350
Town of Saluda	0.515	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450	0.6650
Town of Mills River	0.075	0.0874	0.0974	0.0974	0.0974	0.1124	0.1800	0.1800	0.1800	0.1900
Village of Flat Rock	0.075	0.0840	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100	0.1100	0.1300
<b>Fire (14) District Rates:</b>										
From Lowest	0.060	0.0650	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800	0.0900
To Highest	0.115	0.1250	0.1250	0.1250	0.1250	0.1300	0.1300	0.1300	0.1300	0.1350
<b>Special Purpose District Rates:</b>										
Main Street Tax District	0.250	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2600
Seventh Avenue Tax District	0.080	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1700

Source: Henderson County Tax Assessors Office

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## PRINCIPAL PROPERTY TAXPAYERS

## CURRENT YEAR AND NINE YEARS AGO

## UNAUDITED

Taxpayer	2020 Fiscal Year			2011 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Triangle Real Estate, Inc	\$ 46,548,900	1	2.17%	\$ 11,383,100	7	0.65%
Ingles Market Incorporated	37,378,100	2	1.74%	20,864,600	1	1.19%
Walmart Real Estate Business	23,451,600	3	1.09%	18,598,000	2	1.06%
Boyd Hyder	23,211,390	4	1.08%	16,927,800	3	0.96%
Lake Pointe Landing Highland Investors	17,644,339	5	0.82%	14,907,800	4	0.85%
BabyFish Three LLC	13,713,600	6	0.64%	-		
Henderson Crossing Shopping Center	12,941,800	7	0.60%	11,432,500	6	0.65%
Publix North Carolina, LP	12,863,372	8	0.60%	-		
Sam's Real Estate Business	12,469,600	9	0.58%	-		
Blue Ridge Mall LLC	12,351,250	10	0.58%	11,698,500	5	0.67%
Lowe's Home Center Inc	10,446,081			10,910,700	9	0.62%
Home Depot	-			10,913,600	8	0.62%
First Citizens Bank	-			9,349,100	10	0.53%
Totals	<u>\$ 223,020,032</u>		<u>9.90%</u>	<u>\$ 136,985,700</u>		<u>7.80%</u>

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
2011	\$ 6,252,523	428,397	6,680,920	\$ 6,471,376	96.86%	2011	\$ 199,163	\$ 6,670,539	99.84%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%	2012	178,135	6,704,782	99.83%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%	2013	131,358	6,684,903	99.88%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%	2014	73,212	6,402,398	99.72%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%	2015	107,633	6,895,967	99.42%
2016	7,890,120	106,715	7,996,835	7,837,894	98.01%	2016	103,950	7,941,844	99.31%
2017	7,997,213	11,895	8,009,108	7,862,484	98.17%	2017	126,559	7,989,043	99.75%
2018	8,294,356	(35,435)	8,258,921	8,116,296	98.27%	2018	108,127	8,224,423	99.58%
2019	8,801,346	23,980	8,825,326	8,697,385	98.55%	2019	77,464	8,774,849	99.43%
2020	\$ 10,562,551	(34,718)	10,527,833	\$ 10,384,754	98.64%	2020	-	\$ 10,384,754	98.64%

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	Capital Lease	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
2011	\$ 2,630,000	-	1,750,000	-	-	14,822,447	\$ 19,202,447	486.6%	\$ 1,456
2012	2,440,000	-	1,516,667	-	-	25,289,495	29,246,162	713.6%	2,203
2013	2,250,000	-	7,283,333	-	-	23,503,653	33,036,986	781.1%	2,485
2014	2,060,000	-	6,750,000	-	-	20,902,442	29,712,442	773.3%	2,205
2015	1,870,000	-	6,459,167	-	-	27,283,746	35,612,913	883.4%	2,079
2016	1,680,000	-	5,897,427	-	-	24,262,654	31,840,081	752.5%	2,303
2017	1,490,000	-	5,910,294	-	-	21,057,370	28,457,664	638.9%	2,023
2018	1,343,000	-	5,272,299	-	-	18,515,329	25,130,628	527.4%	1,771
2019	1,177,000	-	7,772,261	-	-	16,569,675	25,518,936	479.3%	1,791
2020	\$ 1,013,000	497,781	18,666,884	-	12,100,000	10,814,841	\$ 43,092,506	*	\$ 3,018

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>
2011	\$ 2,630,000	-	\$ 2,630,000	0.15%	\$ 200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	1,490,000	-	1,490,000	0.07%	106
2018	1,343,000	-	1,343,000	0.06%	95
2019	1,177,000	-	1,177,000	0.06%	83
2020	\$ 1,013,000	-	\$ 1,013,000	0.05%	\$ 71

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, 2020

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes:</b>			
Henderson County	\$ 159,226,566	17.18%	\$ 27,355,124
Subtotal, Overlapping Debt			27,355,124
City of Hendersonville Direct			20,177,665
Total Direct and Overlapping Debt			\$ 47,532,789

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 140,452,168	130,930,200	130,499,448	136,071,843	135,907,787	138,980,953	139,121,830	140,427,714	144,197,265	\$ 171,501,199
Total Net Debt Applicable to Debt Limit	19,012,447	29,246,161	33,036,986	29,712,442	35,612,913	31,840,081	28,457,664	25,130,628	25,518,936	43,092,506
Legal Debt Margin	\$ 121,439,721	101,684,039	97,462,462	106,359,401	100,294,874	107,140,872	110,664,166	115,297,086	101,425,021	\$ 128,408,693
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	13.5%	22.3%	25.3%	21.8%	26.2%	22.9%	20.5%	17.9%	29.7%	25.1%

## Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$2,143,764,984
Debt Limit (8% of Total Assessed Value)	171,501,199
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	42,079,506
Total Bonded Debt	1,013,000
Total Amount of Debt Applicable to Debt Limit	43,092,506
Legal Debt Margin	\$ 128,408,693

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

## UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	City Population	County Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rate		
						County	State	U.S.
2011	13,189	107,141	3,921,941	36,461	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	4,098,466	37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,404	3,842,493	35,122	13,491	4.9%	6.5%	5.9%
2015	13,663	110,939	4,031,132	36,336	13,495	4.6%	5.0%	5.7%
2016	13,824	112,655	4,231,103	37,558	13,690	4.3%	4.9%	4.9%
2017	14,064	114,209	4,454,428	39,002	13,241	3.6%	4.2%	4.4%
2018	14,189	115,708	4,764,710	41,179	13,212	3.6%	4.2%	4.0%
2019	14,251	116,748	5,323,876	45,342	13,361	3.6%	4.2%	3.7%
2020	14,277	117,417	*	*	13,164	7.5%	7.6%	11.1%

## Data Sources:

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

\* Information not yet available.

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND NINE YEARS AGO

## UNAUDITED

Employer	2020 Fiscal Year			2011 Fiscal Year		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,922	1	13.49%	1,852	1	14.04%
Pardee Hospital	1,484	2	10.41%	1,253	2	9.50%
Park Ridge Health	1,202	3	8.43%	1,125	3	8.53%
Henderson County Government	1,077	4	7.56%	720	5	5.46%
Ingles	1,035	5	7.26%	750	4	5.69%
Meritor Heavy Vehicle Systems LLC	592	6	4.15%	550	8	4.17%
Continental Automotive Systems	572	7	4.01%	-		
GE	521	8	3.66%	395	10	2.99%
Wilsonart	455	9	3.19%	680	6	5.16%
Sierra Nevada Brewing Co.	440	10	3.09%	-		
Wal-Mart Associates Inc.	422			450	9	3.41%
Steelcase, Incorporated	-			680	7	5.16%
Totals	<u>9,722</u>		<u>65.25%</u>	<u>8,455</u>		<u>64.11%</u>

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
General Government:										
Administration	3	3	3	3	5	5	5	5	5	5
Finance	12	12	12	12	13	12	14	18	19	18
Support Services	11	12	14	14	15	13	14	17	17	17
Public Safety:										
Police	50	50	50	51	51	53	53	56	59	59
Fire	20	27	27	27	27	27	29	33	33	49
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	4	4	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	9	9	9	9	7	7	7	9	9	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8	8	8	8	8	8
Subtotal	31	31	31	31	29	29	30	32	32	32
Business-Type Activities										
Water and Sewer Fund	63	64	65	65	65	68	72	73	79	82
Storm Water	10	12	14	14	14	15	15	14	14	14
Total	200	211	216	217	219	222	232	248	258	276

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Building Permits Issued:										
Residential	95	125	305	307	119	130	101	221	256	309
Commercial	252	147	112	90	87	110	110	105	105	97
Public Safety - Police										
Physical Arrests	1,667	1,539	1,646	1,544	1,602	2,723	1,195	909	1,793	787
Traffic Violations	2,720	2,482	2,631	2,664	2,250	2,017	2,040	2,133	2,239	2,862
Parking Violations	1,980	1,806	2,762	2,317	2,216	3,029	2,462	1,790	1,415	854
Public Safety - Fire										
Number of Fire Calls Answered	1,779	2,111	3,270	3,401	4,121	4,352	4,761	4,638	4,499	3,855
Inspections Conducted	883	502	478	370	583	955	1,679	4,318	3,985	4,573
Water										
Number of Service Connections	25,618	25,552	25,514	26,446	26,723	30,000	27,449	28,415	29,986	29,308
Average Daily Production in Gallons	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896	6,942,134
Sewer										
Number of Service Connections	8,146	8,274	8,503	8,751	9,035	9,500	9,067	9,411	9,461	9,699
Average Daily Treatment in Gallons	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584	2,636,585
Solid Waste										
Refuse Collected (Tons per Year)	3,550	3,325	3,293	3,353	3,519	3,438	3,325	4,031	3,326	3,414
Recycling Collections (Tons per Year)	1,040	645	744	848	928	1,033	1,106	1,231	1,107	1,005
Scrap Metal (Tons per Year)	13	1	3	3	6	12	23	12	32	84

Sources: Various City of Hendersonville Departments

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## CAPITAL ASSET STATISTICS BY FUNCTION

## LAST TEN FISCAL YEARS

## UNAUDITED

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hendersonville										
Public Facilities/Buildings	3	4	5	5	5	5	1	1	2	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	38	38	38	39	39	30	30	30	42	35
Public Safety - Fire										
Number of Fire Stations	1	1	1	2	2	2	2	2	2	2
Number of Fire Trucks	6	6	6	6	6	5	6	5	5	5
Public Service										
Streets (in Miles)	65.36	65.67	68.20	68.20	68.20	68.20	65.75	65.75	65.75	65.75
Street Lights (Leased)	1,428	1,428	1,479	1,501	1,515	1,515	1,520	1,520	1,532	1,532
Street Lights (Owned)	189	189	189	189	189	189	256	215	286	286
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)	640	620	634	637	640	653	623	624	633	634
Fire Hydrants	2,539	2,552	2,585	2,598	2,626	2,648	2,662	2,692	2,694	2,751
Sewer										
Sanitary Sewers (Miles)	175	176	177	178	178	180	160	182	182	183
Storm Sewers (Miles)	30	30	30	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	4	4	4	4	4	4	4

Sources: Various City of Hendersonville departments.



# **COMPLIANCE SECTION**



## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

Grantor/Pass-through Grantor/Program or Cluster Title:	Federal CFDA Number	State/Pass- Through Entity Identifying Number	Federal Expenditures	State Expenditures
<b>FEDERAL AND STATE ASSISTANCE GRANTS</b>				
<b>US DEPARTMENT OF AGRICULTURE</b>				
Direct Programs:				
Community Facilities Loans and Grants - Loan	10.766		\$ 1,419,766	\$ -
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<b>1,419,766</b>	<b>-</b>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		125,334	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		131,418	-
Total SAFER Cluster	97.083		256,752	-
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		10,979	3,660
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<b>267,731</b>	<b>3,660</b>
<b>US DEPARTMENT OF JUSTICE</b>				
Direct Programs:				
Equitable Sharing Program	16.922		7,500	
Bulletproof Vest Partnership Program	16.607		4,201	-
Pass-Through Program - Governor's Crime Commission:				
Byrne Justice Assistance Grants	16.738	2018-DJ-BX-0041	24,296	-
<b>TOTAL US DEPARTMENT OF JUSTICE</b>			<b>35,997</b>	<b>-</b>
<b>US ENVIRONMENTAL PROTECTION AGENCY</b>				
<b>Cash Programs</b>				
Passed-through the N.C. Department of Environmental Quality - Grants:				
EPS Section 319(b) Grant nonpoint Source Implementation Grant	66.460	C9-99465718-0	36,789	-
<b>Non-Cash Programs</b>				
Pass-Through Program - N.C. Department of Environmental Quality - Loans:				
Capitalization Grants for State Revolving Funds - Loan	66.458	CS370444-10	1,399,033	
<b>TOTAL US ENVIRONMENTAL PROTECTION AGENCY</b>			<b>1,435,822</b>	<b>-</b>
<b>US DEPARTMENT OF TRANSPORTATION</b>				
Passed-through the NC Department of Transportation:				
Highway Planning and Construction	20.205	BRSTP-1932(9)	3,403	-
<b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>			<b>3,403</b>	<b>-</b>
<b>TOTAL ASSISTANCE</b>			<b>\$ 3,162,719</b>	<b>\$ 3,660</b>
<b>STATE ASSISTANCE ONLY</b>				
<b>NC DEPARTMENT OF TRANSPORTATION</b>				
Powell Bill Program				
Non-State System Street-Aid Allocation		DOT-4	\$ -	\$ 380,200
<b>TOTAL NC DEPARTMENT OF TRANSPORTATION</b>			<b>-</b>	<b>380,200</b>
<b>NC DEPARTMENT OF ENVIRONMENTAL QUALITY</b>				
Pass-Through Program - Division of Water Infrastructure:				
Drinking Water State Revolving Fund - Loan		H-SRP-D-17-0132	-	533,778
<b>TOTAL ASSISTANCE</b>			<b>\$ -</b>	<b>\$ 913,978</b>
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>				
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			<b>\$ 3,162,719</b>	<b>\$ 917,638</b>

There were no expenditures to subrecipients for the year ended June 30, 2020.

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

**CITY OF HENDERSONVILLE, NORTH CAROLINA****NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS****YEAR ENDED JUNE 30, 2020****A. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards (the “Schedule”) presents the activity of all federal and state award programs of the City of Hendersonville, North Carolina (the “City”) for the year ended June 30, 2020. Expenditures for federal and state financial assistance awarded directly from the federal or state agencies, as well as those passed through other entities, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act.

**B. BASIS OF ACCOUNTING**

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

**C. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

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

**D. MATCHING COSTS**

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

**E. OUTSTANDING LOAN BALANCES**

The Community Facilities Loans and Grants – Loan federal award amount as listed in the Schedule is comprised of an interim financing installment purchase contract received in the current fiscal year and has an outstanding balance of \$11,500,000 at June 30, 2020, of which \$1,419,766 is federal. The Capitalization Grants for State Revolving Funds – Loan federal award amount as listed in the Schedule is comprised of a state revolving fund loan received in the current fiscal year and has an outstanding balance of \$1,399,033 at June 30, 2020. The Drinking Water State Revolving Fund – Loan state award amount as listed in the Schedule is comprised of a state revolving fund loan received in the current fiscal year and has an outstanding balance of \$533,778 at June 30, 2020. The loan amounts reported in the accompanying Schedule for the current year are in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**F. DONATED PERSONAL PROTECTIVE EQUIPMENT (“PPE”)**

The fair market value of donated PPE received by the City for the year ended June 30, 2020 related to Novel Coronavirus (COVID-19) health pandemic was not significant.

**G. 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 18, 2021. 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 material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

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

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
February 18, 2021

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

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the City of Hendersonville's, North Carolina (the "City"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit 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. 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 federal 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 federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2020.

## 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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*

Greene Finney, LLP  
Mauldin, South Carolina  
February 18, 2021

**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, 2020. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Government 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, 2020.

## 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*

Greene Finney, LLP  
Mauldin, South Carolina  
February 18, 2021

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

## 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 ☒ No

Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes ☒ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?

☐ Yes ☒ No

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants - Loan
66.458	Capitalization Grants for State Revolving Funds - Loan

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee?

☐ Yes ☒ No**State Awards**

Internal control over major State programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes ☒ 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 ☒ No

Identification of major State programs:

<i>State Identifying Number</i>	<i>Names of State Program or Cluster</i>
H-SRP-D-17-0132	Drinking Water State Revolving Fund - Loan

**CITY OF HENDERSONVILLE, NORTH CAROLINA****SCHEDULE OF FINDINGS AND QUESTIONED COSTS****YEAR ENDED JUNE 30, 2020**

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**Section II - Financial Statement Findings**

No matters to report.

**Section III - Federal Award Findings and Questioned Costs**

No matters to report.

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

No matters to report.

DRAFT

## CITY OF HENDERSONVILLE, NORTH CAROLINA

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

**Section II – Financial Statement Findings****2019-001: CONSTRUCTION PAYABLE ACCRUAL****Condition, Criteria,  
Context, Cause and  
Effect:**

During the 2019 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 2019 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.

**Status:**

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

**2019-002: NONCOMPLIANCE WITH LAWS AND REGULATIONS – COLLATERALIZATION OF DEPOSITS****Condition, Criteria,  
Context, Cause and  
Effect:**

The City's financial institution failed to provide collateral for the City's bank deposits of approximately \$482,000 at June 30, 2019. State law requires that financial institutions provide collateral for bank deposits for state and local governments to protect local entities against loss in the event of insolvency, liquidation, or for any other cause. The City was relying on its financial institution to maintain sufficient collateral for its bank deposits. The financial institution failed to provide collateral. Thus, the City's bank balance of approximately \$482,000 at June 30, 2019 was exposed to custodial credit risk.

**Status:**

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

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

Not applicable.

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

Not applicable.



## CITY OF HENDERSONVILLE AGENDA ITEM SUMMARY

**SUBMITTER:** John Connet / Mike Huffman      **MEETING DATE:** 02/24/2021

**AGENDA SECTION:** Discussion/Staff Direction      **DEPARTMENT:** Engineering

**TITLE OF ITEM, Presenter Name, Title:** Discussion and Staff Direction Regarding Amending the Current Stormwater Utility Fee Structure – *Mike Huffman, Stormwater Administrator*

**SUGGESTED MOTION(S):** NA

### SUMMARY:

Stormwater Administrator Mike Huffman will update the City Council on the proposed stormwater utility fee structure and ask for final direction from the City Council regarding implementation of the fee structure.

**BUDGET IMPACT:** \$1.1 million to \$1.4 million in revenue

**Is this expenditure approved in the current fiscal year budget?** YES / NO

**If no, describe how it will be funded.**

**PROJECT NUMBER:** N/A

**PETITION NUMBER:** N/A

**ADDITIONAL PETITION NUMBER:** N/A

**PETITIONER NAME:** N/A

### ATTACHMENTS:

None