

City of Hendersonville

North Carolina



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

Prepared by:
Finance Department

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

INTRODUCTORY SECTION

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2022

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

CITY OF HENDERSONVILLE

The City of Four Seasons

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



October 31, 2022

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

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

The City of Hendersonville’s financial statements have been audited by Mauldin & Jenkins, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hendersonville for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Hendersonville was chartered in 1847 and is located in Henderson County in western North Carolina. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2022 population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 15,959.

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

Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 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, both inside and outside the City limits.

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hendersonville operates. The City and county as whole continue to see interest from manufacturing and industrial companies in moving operations to the area or expanding existing facilities. The area has seen increased activity in housing developments with more than 1,000 housing units approved in the City in the last 12 months. The continued business and residential growth provide a positive outlook for both ad valorem and sales tax revenues.

Local Economy

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

It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. A new manufacturing facility approved in fiscal year 2021 completed construction and began operations in fiscal year 2022. The City Council approved economic incentives in fiscal year 2022 in a bid to add another industrial facility in the city limits that would bring another 117 jobs.

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

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

Henderson County has a labor force of approximately 53,293 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 3.5% at June 30, 2022.

Long-term Financial Planning

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

Relevant Financial Policies

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

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

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

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

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

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

Governmental Initiatives and Projects

Sound infrastructure is one of the top priorities of the City. A major goal for the City of Hendersonville is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as City Council again committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance. During fiscal year 2022, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road.

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

The Mud Creek Dump project continued during fiscal year 2022 in order to conduct an environmental assessment and remediation of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The City will receive reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City completed construction on a new Police Department headquarters in fiscal year 2022 that is 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 was funded through a loan with the United States Department of Agriculture Community Facilities Program.

The City began planning and design on a new fire station which will replace an existing station. The City will relocate the Laura E. Corn mini-golf facility that currently shares the property with the existing station. The mini-golf facility will be the primary feature of the new Edwards Park. The City exchanged property with the Henderson County School Board to build the new mini-golf facility and park.

Water & Sewer Initiatives and Projects

The City of Hendersonville provides high quality water services to approximately 72,000 people and wastewater services to approximately 21,000 while protecting natural resources and ensuring capacity for sustainable growth. The system also operates and maintains over 683 miles of water mains (ranging in size from 2-inches to 24-inches), 54 water pumping stations, 24 water storage tanks (ranging in size from 80,000-gallons to 5,000,000-gallons), over 180 miles of sewer mains (ranging in size from 3-inches to 42-inches) and 31 sewer pumping stations.

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2022 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.

Clear Creek Sewer Interceptor - The Clear Creek Interceptor Replacement consists of the replacement of approximately 3,3000 linear feet of undersized 18-inch diameter gravity sewer pipe along Clear Creek with 30-inch diameter sewer pipe. The purpose of the project is to provide additional capacity alleviating sanitary sewer overflows (SSOs) and serving future growth upstream in the Edneyville area.

The Etowah Water System Improvement project continued in fiscal year 2022. 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.

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

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

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

Stormwater Initiatives and Projects

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

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021. This was the 32nd consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.

The preparation of the Annual Comprehensive Financial Report could not have been possible without the combined effort of our independent auditor, Mauldin & Jenkins, LLC, and the staff of the Hendersonville Finance and City Administration Departments. Credit must also be given to the Mayor, City Council, City Manager and Assistant City Manager for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,



John Buchanan, CPA, CLGFO
Finance Director

**CITY OF HENDERSONVILLE, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF
YEAR ENDED JUNE 30, 2022**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Lyndsey Simpson

Jerry A. Smith, Jr.

Dr. Jennifer Hensley

Debbie O’Neal Roundtree

CITY STAFF

City Manager – John F. Connet

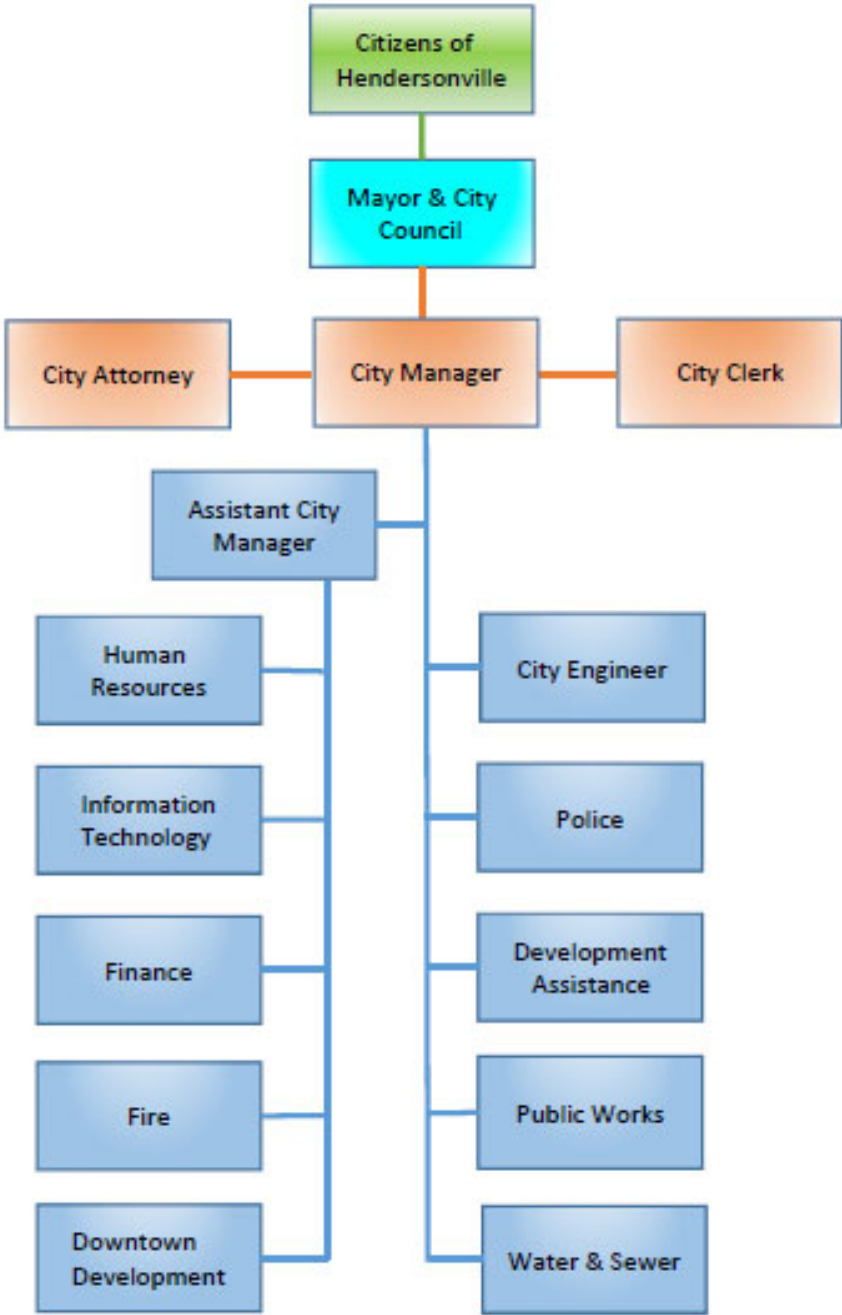
Assistant City Manager – Brian Pahle

City Clerk – Angela Reece

City Attorney – Angela S. Beeker

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Hendersonville, North Carolina** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Hendersonville Alcoholic Beverage Control Board (the "ABC Board") which represents 100% of the assets, net position, and revenue of the discretely presented component unit as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the ABC Board is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios – OPEB Plan, the Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - LEOSSA, the City's Proportionate Share of Net Pension Liability (Asset) - LGERS, and the Schedule of City Contributions - LGERS on pages 5 - 14, 82, 76, 77, 78 - 79, 80 - 81, and 82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Raleigh, North Carolina
October 31, 2022

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

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, 2022 (“2022”, “FY22” or “FY 2022”) compared to the year ended June 30, 2021 (“2021”, “FY21” or “FY 2021”). 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 \$108,526,512 (total net position for the Primary Government).
- The City’s total net position for FY 2022 increased by \$3,463,358 over the prior year balance primarily due to an ad valorem tax rate increase, increased distributions of sales taxes, and local grant proceeds in the Governmental Activities. The increase from the Business-type Activities was primarily the result of water and sewer rate increases and an increase in customers.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$13,463,778 an increase of \$3,723,106 or 38% from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$4,048,193 which is 20% of total General Fund expenditures and transfers out for the fiscal year.
- The City’s total debt, excluding pension and other post-employment benefits, increased by \$22,433,059 in FY22. The increase included \$14,385,000 in limited obligation bonds, which were assigned an “AA” rating by S&P Global Ratings, to fund a parking deck, a streetscape project, and refinance an existing installment financing. The City also issued \$6,915,000 in revenue bonds for the City’s water and sewer systems.

OVERVIEW OF THE FINANCIAL STATEMENTS

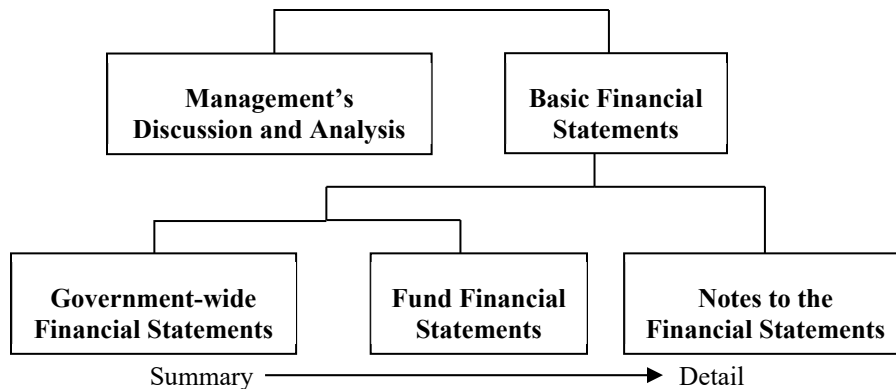
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

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, 2022

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, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	\$ 12,560,693	\$ 17,270,343	\$ 17,186,970	\$ 28,951,147	\$ 29,747,663	\$ 46,221,490
Capital Assets	41,300,627	40,738,112	95,042,633	107,845,249	136,343,260	148,583,361
Total Assets	53,861,320	58,008,455	112,229,603	136,796,396	166,090,923	194,804,851
Deferred Pension Charges	2,984,961	3,143,669	1,602,144	2,027,033	4,587,105	5,170,702
Deferred OPEB Charges	890,052	742,721	578,534	554,608	1,468,586	1,297,329
Total Deferred Outflows of Resources	3,875,013	3,886,390	2,180,678	2,581,641	6,055,691	6,468,031
Long-Term Liabilities Outstanding	28,638,614	28,840,112	30,067,869	49,923,933	58,706,483	78,764,045
Other Liabilities	3,347,206	3,642,744	4,639,655	4,758,355	7,986,861	8,401,099
Total Liabilities	31,985,820	32,482,856	34,707,524	54,682,288	66,693,344	87,165,144
Deferred Pension Credits	238,467	2,715,622	90,506	1,964,646	328,973	4,680,268
Deferred OPEB Credits	36,310	91,981	23,602	68,683	59,912	160,664
Lease Receipts	-	-	-	740,294	-	740,294
Prepaid Taxes and Billings	1,231	-	-	-	1,231	-
Total Deferred Inflows of Resources	276,008	2,807,603	114,108	2,773,623	390,116	5,581,226
Net Position:						
Net Investment in Capital Assets	21,035,571	19,891,169	67,043,265	71,004,372	88,078,836	90,895,541
Restricted	7,139,251	6,802,743	-	-	7,139,251	6,802,743
Unrestricted	(2,700,317)	(89,526)	12,545,384	10,917,754	9,845,067	10,828,228
Total Net Position	\$ 25,474,505	\$ 26,604,386	\$ 79,588,649	\$ 81,922,126	\$ 105,063,154	\$ 108,526,512

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 \$108,526,512 as of June 30, 2022. The City’s net position increased by \$3,463,358 for the fiscal year ended June 30, 2022. The largest portion of net position of \$90,895,541 (84%) 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 \$6,802,743 (6%) represents resources that are subject to external restrictions on how they may be used.

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

- \$0.03 increase in ad valorem tax rate and strong collection rate. Henderson County collects real and personal property taxes for the City and had a collection rate of 99.12% for FY22.
- Sales tax revenues increased approximately \$638,000 due to the continued population and economic growth in the City and County.
- Water and sewer service rates were increased on average 12% resulting in an increase in revenue of \$2,842,406.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City’s Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 544,237	\$ 423,314	\$19,719,582	\$23,426,022	\$ 20,263,819	\$ 23,849,336
Operating Grants & Contributions	1,860,657	3,416,622	65,367	14,370	1,926,024	3,430,992
Capital Grants and Contributions	699,285		1,989,676	2,933,394	2,688,961	2,933,394
General Revenues:						
Property Taxes	11,319,866	12,084,859			11,319,866	12,084,859
Other Taxes & Fees	6,339,544	6,987,177			6,339,544	6,987,177
Other Revenue	184,641	67,800	46,553	3,488	231,194	71,288
Total Revenues	20,948,230	22,979,772	21,821,178	26,377,274	42,769,408	49,357,046
Expenses:						
General Government	3,815,963	4,530,733	-	-	3,815,963	4,530,733
Public Safety	11,300,514	12,476,303	-	-	11,300,514	12,476,303
Transportation	3,042,198	2,601,447	-	-	3,042,198	2,601,447
Environmental Protection	910		-	-	910	-
Economic and Physical Development	467,382	622,665	-	-	467,382	622,665
Culture and Recreational	848,292	809,652	-	-	848,292	809,652
Interest on Long-Term Debt	453,291	459,091	-	-	453,291	459,091
Water and Sewer Fund			18,449,631	20,876,600	18,449,631	20,876,600
Parking Services Fund	-	-	-	454,355	-	454,355
Environmental Services Fund			1,479,708	1,710,016	1,479,708	1,710,016
Stormwater Fund			437,571	1,352,826	437,571	1,352,826
Total Expenses	19,928,550	21,499,891	20,366,910	24,393,797	40,295,460	45,893,688
Change in Net Position Before						
Transfers	1,019,680	1,479,881	1,454,268	1,983,477	2,473,948	3,463,358
Transfers		(350,000)		350,000	-	-
	-	-	-	-	-	-
Change in Net Position	1,019,680	1,129,881	1,454,268	2,333,477	2,473,948	3,463,358
Net Position, Beginning of Year	24,454,825	25,474,505	78,134,381	79,588,649	102,589,206	105,063,154
Net Position, End of Year	\$ 25,474,505	\$26,604,386	\$79,588,649	\$81,922,126	\$ 105,063,154	\$ 108,526,512

Governmental Activities: Governmental activities increased the City’s net position by \$1,129,881 over the prior year. The key element of this increase is an increase in the property tax rate and local grant contributions. The increase was curtailed by a transfer to establish the Parking Services fund. A detailed explanation for the General Fund expenditures exceeding revenues is provided under the Governmental Funds in the Financial Analysis of the City Funds section below.

Business-type Activities: Business-type activities increased the City’s net position by approximately \$2,333,477, primarily due to increase of water and sewer rates. The City is committed to maintain rates sufficient to meet the covenants required for revenue bonds that have been issued.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$4,048,193, while total fund balance reached \$9,763,382. The Governing Body has determined that the City should maintain an available fund balance for the General Fund to be at a minimum of 25% of the City's expenditure group as determined by the Local Government Commission. The City is classified by the LGC as a municipality with General Fund expenditures above \$10,000,000. The City will adjust these goals as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook. The City's General Fund fund balance available for appropriation as a percentage of expenditures is 29.4%, and total fund balance is 49.7%.

At June 30, 2022, the governmental funds of the City reported a combined total governmental fund balance of \$13,463,778 a 38% increase over last year. The increase was primarily due to the increase in ad valorem tax rate and receipt of local grant proceeds.

The General Fund recorded operating revenues of \$19,731,509 during FY 2022, which was an increase of \$1,401,409, or 7.6% over the \$18,330,100 recorded in FY 2021, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$796,508 or 7.4% over FY2021
- Unrestricted Intergovernmental Revenue increased over the prior fiscal year by approximately \$611,463 or 10%.
- Sales & Use Tax collections is the increased by approximately \$600,055 or 14% in the General Fund during fiscal year 2022, compared to the approximately 702,000 or 19% 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 and growing economy and stimulus money distributed by the federal government.
- Restricted Intergovernmental revenues increased by \$232,055 primarily due to an increase in funding from Henderson County for school resource officers provided by the City of Hendersonville Police Department.
- Investment Income earned on the investment of idle cash was a reported a loss of \$43,069 due to the end-of-year negative market adjustment that resulted from the rapidly rising interest rates. The City generally holds these investments to maturity and an actual loss is unlikely to occur.

Expenditures in the General Fund, not including transfers, were \$19,281,024 for fiscal year 2022, which was an increase of approximately \$2,564,703, or 15% over the \$16,716,321 recorded in fiscal year 2021, primarily due to increases in personnel costs. The City completed a pay and class study and implemented changes to improve retention and recruitment of employees.

General Fund Budgetary Highlights:

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

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, excluding transfers, ended the year at \$19,281,024, which was approximately \$2,377,060 or 9.6% below the \$21,316,942 revised expenditures budget for the fiscal year 2022. The primary contributing factor is open positions in the Police Department which resulted in positive budget variance of \$532,371. Other contributing factors included capital purchases and work delayed due to supply chain issues and open positions in several departments.

The Governmental Capital Projects Fund, a major fund, includes expenditures for the Police Headquarters, Fire Station One, Edwards Park, Seventh Avenue Streetscape and Tracey Grove Road Bridge projects. The construction of the new police headquarters was completed in FY22 and the other major projects were in planning or design. Construction is expected to begin on the other projects in FY23.

Non-Major Governmental Funds

Non-Major Governmental Funds consist of Special Revenue Funds that are funded by grants or other specific revenue sources, including the City's two Municipal Service Districts (Main Street and Seventh Avenue). Revenues in the non-major governmental funds increased by approximately \$1,216,287 over the prior year. The primary reason for the increase is a grant from the Dogwood Health Trust of \$1,500,000 in the Grants Fund.

Expenditures in the Non-Major Governmental Funds decreased by \$439,501 over the prior year. This is due to changes in grant funding and activity in the Grants Fund. Expenditures in the other non-major governmental funds had minor increases.

Proprietary Funds

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

Water & Sewer Fund

The Water & Sewer Fund recorded approximately \$20,681,826 in operating revenues for fiscal year 2022. This was a \$2,939,746 or a 16.6% increase over fiscal year 2021. The primary reason for this increase is an increase in the rates for water and sewer, growth of the system, and inspection fees.

The Water & Sewer Fund recorded \$19,771,489 in operating expenditures for fiscal year 2022. This was \$2,365,354 or 14% greater than fiscal year 2021. The primary reason for the increase is due to the increase in wages due to the pay and class study changes and new positions. The greater increase in revenues from the rate increases was the primary factor in the \$2,606,225 increase in net position in the Water and Sewer Fund. Total net position ended the year at \$81,028,734 with \$10,637,513 unrestricted.

Parking Services Fund

The Parking Services Fund was created this fiscal year. The City is building a downtown parking deck that will be completed in fiscal year 2023. The Parking Services Fund reimbursed the General Fund for the parking deck land and current construction-in-process. The fund currently shows a negative net investment in capital assets due to unspent debt proceeds. The ending total net position was \$135,863.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Non-major Enterprise Funds

Total net position decreased in the non-major enterprise funds by \$408,612 or 35% at June 30, 2022 compared to the prior year. This is primarily due to an increase in projects in the Stormwater Fund. Total expenditures in the Stormwater Fund increased 155% over the prior year, revenues increased 53%.

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, 2022, totaled approximately \$148,583,361 (net of accumulated depreciation). This was an increase of approximately \$12,401,101 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 (completed)
- Construction of a parking deck
- Etowah Water System Improvements
- Northside Water System Improvements
- French Broad River Raw Water Intake
- Clear Creek Sewer Interceptor

City’s Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	\$ 6,708,730	\$ 4,804,022	\$ 3,350,350	\$ 5,416,226	\$ 10,059,080	\$ 10,220,248
Buildings	9,374,691	20,432,311	707,233	781,296	10,081,924	21,213,607
Other Improvements	1,201,367	1,131,410	193,257	173,087	1,394,624	1,304,497
Machinery and Equipment	3,773,520	3,676,505	3,929,398	3,653,238	7,702,918	7,329,743
Infrastructure	9,502,639	9,096,394	69,828,904	70,235,665	79,331,543	79,332,059
Software	1,243	-	45,273	30,691	46,516	30,691
Construction in Progress	10,738,437	1,597,470	16,988,218	27,555,046	27,726,655	29,152,516
Total	\$ 41,300,627	\$ 40,738,112	\$ 95,042,633	\$ 107,845,249	\$ 136,343,260	\$ 148,583,361

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

As of June 30, 2022, the City had total bonded debt outstanding of \$33,871,001. Of this total bonded debt, \$694,000 is backed by the full faith and credit of the City. The revenue bonds are secured by specified revenue sources, and the remainder of the City’s debt represents loans secured solely by lien on the particular assets financed.

City’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
General Obligation Bonds	\$ 852,000	\$ 694,000	\$ -	\$ -	\$ 852,000	\$ 694,000
Limited Obligation Bonds		3,335,000		10,965,000	-	14,300,000
Bond Premiums		600,950		1,687,051	-	2,288,001
Revenue Bonds			10,889,000	16,589,000	10,889,000	16,589,000
State Revolving Loans			13,603,928	15,909,417	13,603,928	15,909,417
Installment Purchase Contracts	19,413,056	17,124,552	548,345	834,418	19,961,401	17,958,970
Compensated absences	658,046	1,121,124	449,283	729,814	1,107,329	1,850,938
Total OPEB Liability	2,704,764	2,546,015	1,758,097	1,901,173	4,462,861	4,447,188
Net Pension Liability (LGERS)	4,346,219	1,751,465	2,819,216	1,308,060	7,165,435	3,059,525
Total Pension Liability (LEOSS)	1,619,778	1,667,006		-	1,619,778	1,667,006
Total	\$ 29,593,863	\$ 28,840,112	\$ 30,067,869	\$ 49,923,933	\$ 59,661,732	\$ 78,764,045

Total debt increased by \$19,102,313 (32%) during fiscal year 2022. The primary contributing factors are the issuance of limited obligation bonds of \$14,385,000 and were rated “AA” by S&P Global Ratings. Some of the proceeds of the limited obligation refinanced \$1,999,000 of an existing installment purchase contract in the governmental activities. The City also issued revenue bonds for its water and sewer system of \$6,915,000 and increased state revolving loans by \$3,861,277.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City is approximately \$110,210,660.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Economic Factors

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

- Henderson County’s unemployment rate was 3.5% as of June 30, 2020. This was close to the average unemployment rate statewide of 3.4%.
- The certified population estimate for the City of Hendersonville as of July 1, 2022 was 15,959.
- A new manufacturer started operations in the City and is expected to employ 150 people at wages above the median Henderson County wage.
- New project near in downtown Hendersonville broke ground expected to provide a hotel, conference center, and condominiums.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

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

Budget Highlights for the Fiscal Year Ending June 30, 2023

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, 2023 ("2023" or "FY 2023") operating budget totals approximately \$52,166,000 for the City's budgeted operating funds. This is approximately \$6,918,000 or 15%, higher than the approximately \$45,247,000 original FY 2022 budget.

Governmental Activities

Property taxes total approximately \$11,500,000 of the FY2023 recommended budget for the General Fund which makes up the majority of the governmental activities. The FY2023 budget includes a \$90,000 (0.8%) increase over the prior year revised budget. In FY2022, the City increased the ad valorem tax rate by \$0.03 per \$100 valuation to support an expansive list of critical capital projects and the need to improve salaries and benefits to retain and attract dedicated, fulfilled employees. We have estimated a 98.0% rate for tax collections through a partnership with Henderson County. Property tax continues to be the most stable revenue source for local government in North Carolina and pending any major externalities should remain relatively stable until the next county-wide revaluation in FY24.

The American Recue Plan (ARP), issued in March 2021, will provide the City of Hendersonville approximately \$4.5M of funding to be obligated by December 2024 and spent no later than December 2026. There are several categories eligible for ARP appropriation according to Federal and State guidance. The City plans to use approximately \$2.5M of ARP funds to offset revenue loss in accordance with Federal and State guidance. Included in the FY2023 budget is one-half (\$1.25M) of a General Fund transfer in. An additional \$1.25M transfer in to the General Fund is anticipated in FY2024. The remaining \$2,000,000 of ARP funding will be used directly for transformative community projects addressing economic externalities, health impacts, and infrastructure projects which were delayed or otherwise affected by the COVID-19 pandemic.

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

Business-Type Activities

The Water and Sewer fund is the largest part of the City of Hendersonville's business-type activity operating budget. Charges for service total \$21,050,000M in the FY2023 Water and Sewer Fund budget. The FY2023 budget includes estimated revenues earned from meter-based and volumetric usage charges. The City is recognizing a pattern of residential, commercial, and industrial growth that will bring a higher demand for service adding additional connections and revenue to the utility system. The Water and Sewer fund has approximately \$386,000 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.

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 6th Ave East, Hendersonville, North Carolina 28792.

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
ASSETS				
Cash and cash equivalents	\$ 1,343,366	\$ 1,530,502	\$ 2,873,868	\$ 1,312,580
Investments	5,624,206	4,825,624	10,449,830	-
Receivables, net:				
Taxes receivable	299,611	-	299,611	-
Accounts	298,211	3,584,756	3,882,967	6,070
Grants	199,682	64,910	264,592	-
Shared taxes	1,983,213	-	1,983,213	-
Refundable taxes	1,104,817	3,963	1,108,780	-
Loans	-	4,153,130	4,153,130	-
Accrued interest	176	3,631	3,807	-
Prepaid items	38,693	117,674	156,367	26,182
Inventories	-	1,604,375	1,604,375	744,987
Restricted cash and cash equivalents	5,382,362	12,324,752	17,707,114	-
Notes and leases receivable	996,006	737,830	1,733,836	-
Capital assets, nondepreciable	6,401,492	32,971,272	39,372,764	-
Capital assets, depreciable, net of accumulated depreciation	34,336,620	74,873,977	109,210,597	1,645,200
Total assets	58,008,455	136,796,396	194,804,851	3,735,019
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	3,143,669	2,027,033	5,170,702	215,276
OPEB related items	742,721	554,608	1,297,329	-
Total deferred outflows of resources	3,886,390	2,581,641	6,468,031	215,276
LIABILITIES				
Accounts payable	579,548	3,125,902	3,705,450	505,141
Retainage payable	-	634,942	634,942	-
Accrued salaries and benefits	627,793	555,538	1,183,331	-
Accrued interest payable	172,396	95,469	267,865	-
Customer deposits	4,748	346,504	351,252	-
Other accrued liabilities	2,258,259	-	2,258,259	267,884
Noncurrent liabilities:				
Due within one year	2,084,785	3,611,324	5,696,109	-
Due in more than one year	26,755,327	46,312,609	73,067,936	97,844
Total liabilities	32,482,856	54,682,288	87,165,144	870,869
DEFERRED INFLOWS OF RESOURCES				
Pension related items	2,715,622	1,964,646	4,680,268	139,789
OPEB related items	91,981	68,683	160,664	-
Lease receipts	-	740,294	740,294	-
Total deferred inflows of resources	2,807,603	2,773,623	5,581,226	139,789
NET POSITION				
Net investment in capital assets	19,891,169	71,004,372	90,895,541	1,645,200
Restricted for:				
Stabilization by State Statute	3,947,831	-	3,947,831	310,780
USDA debt reserve	62,225	-	62,225	-
Economic development	346,936	-	346,936	-
Public safety	700,551	-	700,551	-
Human services	1,500,000	-	1,500,000	-
Parks	245,200	-	245,200	-
Capital projects	-	-	-	30,629
Unrestricted	(89,526)	10,917,754	10,828,228	953,028
Total net position	\$ 26,604,386	\$ 81,922,126	\$ 108,526,512	\$ 2,939,637

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,530,733	\$ 93,421	\$ -	\$ -
Public safety	12,476,303	-	2,694,197	-
Transportation	2,601,447	-	472,425	-
Economic and physical development	622,665	231,202	-	-
Culture and recreation	809,652	98,691	250,000	-
Interest on long-term debt	459,091	-	-	-
Total governmental activities	<u>21,499,891</u>	<u>423,314</u>	<u>3,416,622</u>	<u>-</u>
Business-type activities:				
Water and sewer	20,876,600	20,681,826	1,288	2,797,404
Parking services	454,355	236,266	-	-
Environmental services	1,710,016	1,508,967	13,082	-
Stormwater	1,352,826	998,963	-	135,990
Total business-type activities	<u>24,393,797</u>	<u>23,426,022</u>	<u>14,370</u>	<u>2,933,394</u>
Total primary government	<u>45,893,688</u>	<u>23,849,336</u>	<u>3,430,992</u>	<u>2,933,394</u>
Component unit:				
Hendersonville ABC Board	<u>\$ 10,441,216</u>	<u>\$ 10,504,479</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes:
 - Property taxes
 - Sales taxes
 - Franchise taxes
 - Gross receipts tax
 - Other taxes
- Unrestricted investment earnings (loss)
- Miscellaneous
- Gain on sale of capital assets
- Transfers
 - Total general revenues and transfers
 - Change in net position
- Net position, beginning of year
- Net position, end of year

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
\$ (4,437,312)	\$ -	\$ (4,437,312)	\$ -
(9,782,106)	-	(9,782,106)	-
(2,129,022)	-	(2,129,022)	-
(391,463)	-	(391,463)	-
(460,961)	-	(460,961)	-
(459,091)	-	(459,091)	-
<u>(17,659,955)</u>	<u>-</u>	<u>(17,659,955)</u>	<u>-</u>
-	2,603,918	2,603,918	-
-	(218,089)	(218,089)	-
-	(187,967)	(187,967)	-
-	(217,873)	(217,873)	-
<u>-</u>	<u>1,979,989</u>	<u>1,979,989</u>	<u>-</u>
<u>(17,659,955)</u>	<u>1,979,989</u>	<u>(15,679,966)</u>	<u>-</u>
-	-	-	63,263
12,084,859	-	12,084,859	-
5,236,194	-	5,236,194	-
1,267,760	-	1,267,760	-
10,420	-	10,420	-
472,803	-	472,803	-
(41,011)	(22,853)	(63,864)	635
108,811	-	108,811	-
-	26,341	26,341	-
(350,000)	350,000	-	-
<u>18,789,836</u>	<u>353,488</u>	<u>19,143,324</u>	<u>635</u>
1,129,881	2,333,477	3,463,358	63,898
25,474,505	79,588,649	105,063,154	2,875,739
<u>\$ 26,604,386</u>	<u>\$ 81,922,126</u>	<u>\$ 108,526,512</u>	<u>\$ 2,939,637</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Governmental Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,311,544	\$ -	\$ 4,461	\$ 1,316,005
Investments	5,303,868	-	214,342	5,518,210
Receivables, net:				
Taxes receivable	242,493	40,940	16,178	299,611
Accounts	298,091	-	-	298,091
Grants	-	-	199,682	199,682
Shared taxes	1,886,735	-	96,478	1,983,213
Refundable taxes	1,104,817	-	-	1,104,817
Accrued interest	-	-	176	176
Due from other funds	199,682	-	-	199,682
Prepaid items	38,543	-	150	38,693
Restricted cash and cash equivalents	62,225	1,051,579	4,268,558	5,382,362
Notes receivable	458,506	-	537,500	996,006
	<u>\$ 10,906,504</u>	<u>\$ 1,092,519</u>	<u>\$ 5,337,525</u>	<u>\$ 17,336,548</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 327,325	\$ 184,960	\$ 11,595	\$ 523,880
Accrued salaries and benefits	568,556	-	59,237	627,793
Customer deposits	4,748	-	-	4,748
Unearned revenue	-	-	2,258,259	2,258,259
Due to other funds	-	-	199,682	199,682
	<u>900,629</u>	<u>184,960</u>	<u>2,528,773</u>	<u>3,614,362</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	242,493	-	15,009	257,502
Unavailable revenue - intergovernmental	-	-	906	906
Total deferred inflows of resources	<u>242,493</u>	<u>-</u>	<u>15,915</u>	<u>258,408</u>
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	38,543	-	150	38,693
Restricted for:				
Stabilization by State Statute	3,947,831	-	-	3,947,831
USDA debt reserve	62,225	-	-	62,225
Capital projects	-	907,559	-	907,559
Economic development	-	-	346,936	346,936
Public safety	-	-	700,551	700,551
Human services	-	-	1,500,000	1,500,000
Parks	-	-	245,200	245,200
Assigned for fiscal year 2023 budget	1,666,590	-	-	1,666,590
Unassigned	4,048,193	-	-	4,048,193
	<u>9,763,382</u>	<u>907,559</u>	<u>2,792,837</u>	<u>13,463,778</u>
	<u>\$ 10,906,504</u>	<u>\$ 1,092,519</u>	<u>\$ 5,337,525</u>	<u>\$ 17,336,548</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION OF THE GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

Fund balances - total governmental funds	\$	13,463,778	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			
Cost	\$	68,735,256	
Less accumulated depreciation		<u>(27,997,144)</u>	40,738,112
Internal service funds are used by the City to charge cost to other funds. The assets and liabilities are included in the governmental activities.			
			77,809
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.			
Unavailable revenue - property taxes	\$	257,502	
Unavailable revenue - intergovernmental		<u>906</u>	258,408
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable, net of unamortized premiums	\$	(4,629,950)	
Installment purchase contracts		(16,709,750)	
Financed purchases		(414,802)	
Accrued interest		(172,396)	
Compensated absences		<u>(1,121,124)</u>	(23,048,022)
The net pension liability (LGERS), total pension liability (LEOSSA), and the related deferred outflows of resources and deferred inflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.			
Net pension liability (LGERS)	\$	(1,751,465)	
Total pension liability (LEOSSA)		(1,667,006)	
Deferred outflows of resources - pension items		3,143,669	
Deferred inflows of resources - pension items		<u>(2,715,622)</u>	(2,990,424)
The total OPEB liability and related deferred outflows of resources and deferred inflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.			
Total OPEB liability	\$	(2,546,015)	
Deferred outflows of resources - OPEB items		742,721	
Deferred inflows of resources - OPEB items		<u>(91,981)</u>	(1,895,275)
Net position - governmental activities			<u>\$ 26,604,386</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Governmental Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 11,548,067	\$ -	\$ 324,102	\$ 11,872,169
Other taxes and licenses	10,420	-	-	10,420
Unrestricted intergovernmental	6,668,827	-	314,171	6,982,998
Restricted intergovernmental	857,806	-	2,380,909	3,238,715
Permits and fees	496,762	-	-	496,762
Sales and services	101,301	-	28,030	129,331
Investment earnings (loss)	(43,069)	1,069	989	(41,011)
Miscellaneous	91,395	250,000	34,150	375,545
Total revenues	<u>19,731,509</u>	<u>251,069</u>	<u>3,082,351</u>	<u>23,064,929</u>
Expenditures:				
Current:				
General government	4,230,600	13,629	-	4,244,229
Public safety	10,822,938	-	1,003,674	11,826,612
Transportation	2,014,481	-	-	2,014,481
Economic and physical development	-	-	610,171	610,171
Culture and recreation	766,462	-	-	766,462
Capital outlay	-	3,172,412	-	3,172,412
Debt service:				
Principal	1,080,667	13,499,000	36,406	14,616,073
Interest	365,876	-	18,229	384,105
Issuance costs	-	41,517	-	41,517
Total expenditures	<u>19,281,024</u>	<u>16,726,558</u>	<u>1,668,480</u>	<u>37,676,062</u>
Excess (deficiency) of revenues over (under) expenditures	450,485	(16,475,489)	1,413,871	(14,611,133)
Other financing sources (uses):				
Sale of capital assets	45,080	-	-	45,080
Issuance of long-term debt	609,956	14,920,000	-	15,529,956
Premiums on issuance of long-term debt	-	648,631	-	648,631
Transfers in	-	2,607,818	481,340	3,089,158
Transfers out	(978,586)	-	-	(978,586)
Total other financing sources (uses)	<u>(323,550)</u>	<u>18,176,449</u>	<u>481,340</u>	<u>18,334,239</u>
Net change in fund balances	126,935	1,700,960	1,895,211	3,723,106
Fund balances, beginning of year	<u>9,636,447</u>	<u>(793,401)</u>	<u>897,626</u>	<u>9,740,672</u>
Fund balances, end of year	<u>\$ 9,763,382</u>	<u>\$ 907,559</u>	<u>\$ 2,792,837</u>	<u>\$ 13,463,778</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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

Net change in fund balances - total governmental funds		\$ 3,723,106
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 3,982,136	
Depreciation and amortization expense	<u>(2,025,536)</u>	1,956,600
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>		
Net book value of capital assets disposed	\$ (58,543)	
Capital assets transferred to Parking Services Fund	<u>(2,460,572)</u>	(2,519,115)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue - property taxes	\$ (1,690)	
Unavailable revenue - intergovernmental	(108,854)	
Reduction of loan principal by creditor	<u>25,387</u>	(85,157)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Installment purchase contracts issued	\$ (12,109,956)	
Limited obligation bonds issued	(3,420,000)	
Premium on bonds sold	(648,631)	
Principal payments on outstanding bonds payable	243,000	
Principal payments on outstanding installment purchase contracts	14,226,660	
Principal payments on outstanding financed purchases	<u>146,413</u>	(1,562,514)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest	\$ (122,667)	
Amortization of bond premium	47,681	
Change in compensated absences	(463,078)	
Change in pension expense (LGERs)	347,887	
Change in pension expense (LEOSSA)	(118,808)	
Change in OPEB expense	<u>(44,253)</u>	(353,238)
<p>Internal service funds are used by management to charge the costs of health and welfare benefits expenses for the City's employees to the City's individual funds. The net expense of the internal service funds is reported with governmental activities.</p>		
		<u>(29,801)</u>
Change in net position - governmental activities		<u>\$ 1,129,881</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes	\$ 11,215,690	\$ 11,428,073	\$ 11,548,067	\$ 119,994
Other taxes and licenses	9,500	9,883	10,420	537
Unrestricted intergovernmental revenue	5,868,846	6,358,461	6,668,827	310,366
Restricted intergovernmental revenue	526,163	788,158	857,806	69,648
Permits and fees	444,850	480,460	496,762	16,302
Sales and services	276,050	132,617	101,301	(31,316)
Investment earnings	100,000	100,000	(43,069)	(143,069)
Miscellaneous revenues	27,500	92,715	91,395	(1,320)
Total revenues	<u>18,468,599</u>	<u>19,390,367</u>	<u>19,731,509</u>	<u>341,142</u>
Expenditures				
Current:				
General government	4,184,885	4,700,151	4,230,600	469,551
Public safety	11,490,791	11,686,730	10,822,938	863,792
Transportation	2,551,155	2,550,872	2,014,481	536,391
Culture and recreation	753,946	803,323	766,462	36,861
Debt service:				
Principal	1,116,049	1,116,049	1,080,667	35,382
Interest and fiscal charges	441,517	459,817	365,876	93,941
Total expenditures	<u>20,538,343</u>	<u>21,316,942</u>	<u>19,281,024</u>	<u>2,035,918</u>
Excess (deficiency) of revenues over (under) expenditures	(2,069,744)	(1,926,575)	450,485	2,377,060
Other financing sources (uses)				
Proceeds from sale of capital assets	10,000	45,080	45,080	-
Issuance of long-term debt	798,000	798,000	609,956	(188,044)
Appropriation of fund balance	1,261,744	3,085,535	-	(3,085,535)
Operating transfers out to other funds	-	(2,002,040)	(978,586)	1,023,454
Total other financing sources (uses)	<u>2,069,744</u>	<u>1,926,575</u>	<u>(323,550)</u>	<u>(2,250,125)</u>
Net change in fund balance	-	-	126,935	126,935
Fund balances, beginning of year	<u>9,636,447</u>	<u>9,636,447</u>	<u>9,636,447</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,636,447</u>	<u>\$ 9,636,447</u>	<u>\$ 9,763,382</u>	<u>\$ 126,935</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022**

	Water and Sewer Fund	Parking Services Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,263,963	\$ 250,771	\$ 15,768	\$ 1,530,502	\$ 27,361
Investments	4,776,613	2,986	46,025	4,825,624	105,996
Receivables, net:					
Accounts	3,188,694	7,880	388,182	3,584,756	120
Grants	62,099	-	2,811	64,910	-
Refundable taxes	19	3,944	-	3,963	-
Loans from State Revolving Fund	3,909,817	-	243,313	4,153,130	-
Accrued interest	3,425	-	206	3,631	-
Lease receivable	2,113	-	-	2,113	-
Prepaid items	117,674	-	-	117,674	-
Inventories	1,604,375	-	-	1,604,375	-
Restricted cash and cash equivalents	4,126,661	8,198,091	-	12,324,752	-
Total current assets	<u>19,055,453</u>	<u>8,463,672</u>	<u>696,305</u>	<u>28,215,430</u>	<u>133,477</u>
Noncurrent assets:					
Lease receivable	735,717	-	-	735,717	-
Capital assets:					
Non-depreciable	26,874,414	5,839,475	257,383	32,971,272	-
Depreciable, net of accumulated depreciation	73,659,686	-	1,214,291	74,873,977	-
Total capital assets, net	<u>100,534,100</u>	<u>5,839,475</u>	<u>1,471,674</u>	<u>107,845,249</u>	<u>-</u>
Total noncurrent assets	<u>101,269,817</u>	<u>5,839,475</u>	<u>1,471,674</u>	<u>108,580,966</u>	<u>-</u>
Total assets	<u>120,325,270</u>	<u>14,303,147</u>	<u>2,167,979</u>	<u>136,796,396</u>	<u>133,477</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	1,732,072	-	294,961	2,027,033	-
OPEB related items	473,915	-	80,693	554,608	-
Total deferred outflows of resources	<u>2,205,987</u>	<u>-</u>	<u>375,654</u>	<u>2,581,641</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,731,260	1,336,456	58,186	3,125,902	55,668
Retainage payable	502,302	132,640	-	634,942	-
Accrued salaries and benefits	473,218	-	82,320	555,538	-
Accrued interest payable	47,243	45,062	3,164	95,469	-
Customer deposits payable	345,429	1,075	-	346,504	-
Compensated absences, current	338,316	-	61,202	399,518	-
Current portion of long-term debt	2,540,017	541,660	130,129	3,211,806	-
Total current liabilities	<u>5,977,785</u>	<u>2,056,893</u>	<u>335,001</u>	<u>8,369,679</u>	<u>55,668</u>
Long-term liabilities:					
Compensated absences, less current portion	287,742	-	42,554	330,296	-
Long-term debt, less current portion	30,016,972	12,110,391	645,717	42,773,080	-
Net pension liability	1,117,719	-	190,341	1,308,060	-
Total OPEB liability	1,624,558	-	276,615	1,901,173	-
Total long-term liabilities	<u>33,046,991</u>	<u>12,110,391</u>	<u>1,155,227</u>	<u>46,312,609</u>	<u>-</u>
Total liabilities	<u>39,024,776</u>	<u>14,167,284</u>	<u>1,490,228</u>	<u>54,682,288</u>	<u>55,668</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related items	1,678,762	-	285,884	1,964,646	-
OPEB related items	58,691	-	9,992	68,683	-
Lease receipts	740,294	-	-	740,294	-
Total deferred inflows of resources	<u>2,477,747</u>	<u>-</u>	<u>295,876</u>	<u>2,773,623</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	70,391,221	(82,677)	695,828	71,004,372	-
Restricted for debt service	-	-	-	-	-
Unrestricted	10,637,513	218,540	61,701	10,917,754	77,809
Total net position	<u>\$ 81,028,734</u>	<u>\$ 135,863</u>	<u>\$ 757,529</u>	<u>\$ 81,922,126</u>	<u>\$ 77,809</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Water and Sewer Fund	Parking Services Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 19,654,739	\$ 236,266	\$ 2,507,930	\$ 22,398,935	\$ 282,489
Water and sewer taps	405,005	-	-	405,005	-
Other operating income	622,082	-	-	622,082	18,469
Total operating revenues	<u>20,681,826</u>	<u>236,266</u>	<u>2,507,930</u>	<u>23,426,022</u>	<u>300,958</u>
OPERATING EXPENSES					
Administrative	4,440,676	-	-	4,440,676	-
Operations support	4,437,600	-	-	4,437,600	-
Water treatment and distribution	4,383,283	-	-	4,383,283	-
Waste collection and treatment	2,814,494	-	1,561,447	4,375,941	-
Parking services	-	46,583	-	46,583	-
Stormwater	-	-	1,303,674	1,303,674	-
Risk management and employee benefits	-	-	-	-	330,759
Depreciation	3,789,761	-	184,764	3,974,525	-
Total operating expenses	<u>19,865,814</u>	<u>46,583</u>	<u>3,049,885</u>	<u>22,962,282</u>	<u>330,759</u>
Operating income (loss)	816,012	189,683	(541,955)	463,740	(29,801)
NONOPERATING REVENUE (EXPENSES)					
Investment earnings (loss)	(24,033)	3,952	(2,772)	(22,853)	-
Intergovernmental revenue	-	-	12,150	12,150	-
Other nonoperating revenue	1,288	-	932	2,220	-
Gain on disposal of capital assets	26,341	-	-	26,341	-
Interest expense	(473,227)	(200,653)	(12,957)	(686,837)	-
Debt issuance costs	(537,559)	(207,119)	-	(744,678)	-
Total nonoperating expenses, net	<u>(1,007,190)</u>	<u>(403,820)</u>	<u>(2,647)</u>	<u>(1,413,657)</u>	<u>-</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS					
	(191,178)	(214,137)	(544,602)	(949,917)	(29,801)
Capital contributions	2,797,404	2,460,572	135,990	5,393,966	-
Transfers in	-	350,000	-	350,000	-
Transfers out	-	(2,460,572)	-	(2,460,572)	-
Total capital contributions and transfers	<u>2,797,404</u>	<u>350,000</u>	<u>135,990</u>	<u>3,283,394</u>	<u>-</u>
Change in net position	2,606,226	135,863	(408,612)	2,333,477	(29,801)
NET POSITION, beginning of year	<u>78,422,508</u>	<u>-</u>	<u>1,166,141</u>	<u>79,588,649</u>	<u>107,610</u>
NET POSITION, end of year	<u>\$ 81,028,734</u>	<u>\$ 135,863</u>	<u>\$ 757,529</u>	<u>\$ 81,922,126</u>	<u>\$ 77,809</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Water and Sewer Fund	Parking Services Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 20,264,119	\$ 229,461	\$ 2,454,161	\$ 22,947,741	\$ 301,413
Payments to suppliers and service providers	(8,709,904)	(50,527)	(1,107,967)	(9,868,398)	(327,220)
Payments to employees	(9,146,837)	-	(1,569,173)	(10,716,010)	-
Net cash provided by (used in) operating activities	<u>2,407,378</u>	<u>178,934</u>	<u>(222,979)</u>	<u>2,363,333</u>	<u>(25,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of investments	1,190,515	966	270,145	1,461,626	19,958
Net cash provided by investing activities	<u>1,190,515</u>	<u>966</u>	<u>270,145</u>	<u>1,461,626</u>	<u>19,958</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(8,676,278)	(1,909,807)	(165,800)	(10,751,885)	-
Interfund transfers to reimburse capital purchases	-	(2,460,572)	-	(2,460,572)	-
Proceeds from sale of capital assets	134,000	-	-	134,000	-
Principal payments on long-term debt	(2,788,722)	-	(105,594)	(2,894,316)	-
Interest payments on long-term debt	(466,839)	(251,883)	(9,955)	(728,677)	-
Proceeds from issuance of long-term debt	9,289,523	10,965,000	165,800	20,420,323	-
Premium on bonds sold	-	1,783,343	-	1,783,343	-
Bond issuance costs paid	(537,559)	(207,119)	-	(744,678)	-
Capital grants received	744,800	-	-	744,800	-
Insurance reimbursements	1,288	-	-	1,288	-
Net cash provided by (used in) capital and related financing activities	<u>(2,299,787)</u>	<u>7,918,962</u>	<u>(115,549)</u>	<u>5,503,626</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	350,000	-	350,000	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,298,106	8,448,862	(68,383)	9,678,585	(5,849)
Cash and cash equivalents:					
Beginning of year	4,092,518	-	84,151	4,176,669	33,210
End of year	<u>\$ 5,390,624</u>	<u>\$ 8,448,862</u>	<u>\$ 15,768</u>	<u>\$ 13,855,254</u>	<u>\$ 27,361</u>
Classified as:					
Cash and cash equivalents	\$ 1,263,963	\$ 250,771	\$ 15,768	\$ 1,279,731	\$ 27,361
Restricted cash and cash equivalents	4,126,661	8,198,091	-	4,126,661	-
Total	<u>\$ 5,390,624</u>	<u>\$ 8,448,862</u>	<u>\$ 15,768</u>	<u>\$ 5,406,392</u>	<u>\$ 27,361</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 816,012	\$ 189,683	\$ (541,955)	\$ 463,740	\$ (29,801)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	3,789,761	-	184,764	3,974,525	-
Increase in customer accounts receivable	(444,862)	(7,880)	(53,769)	(506,511)	455
Increase in refundable taxes receivable	-	(3,944)	-	(3,944)	-
Decrease in lease receivable and related deferrals	2,464	-	-	2,464	-
Increase in prepaid expenses	(102,236)	-	-	(102,236)	-
Increase in inventories	(414,302)	-	-	(414,302)	-
(Increase) decrease in accounts payable	(1,706,414)	-	(52,568)	(1,758,982)	3,539
Increase in accrued salaries and benefits	201,474	-	50,631	252,105	-
Increase in customer deposits payable	24,691	1,075	-	25,766	-
Increase in compensated absences payable	228,120	-	52,410	280,530	-
Increase (decrease) in net pension liability and related deferrals	(116,901)	-	54,996	(61,905)	-
Increase in total OPEB liability and related deferrals	129,571	-	82,512	212,083	-
Net cash provided by (used in) operating activities	<u>\$ 2,407,378</u>	<u>\$ 178,934</u>	<u>\$ (222,979)</u>	<u>\$ 2,363,333</u>	<u>\$ (25,807)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Donations of capital assets	\$ 2,052,604	\$ -	\$ 135,990	\$ 2,188,594	\$ -

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022**

	Billing Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 184,097
Accounts receivable	354,804
Total assets	<u>538,901</u>
LIABILITIES	
Due to others	<u>538,901</u>
Total liabilities	<u>538,901</u>
NET POSITION	
Restricted:	
Individuals, organizations, and other governments	<u>-</u>
Total net position	<u>\$ -</u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Billing Custodial Fund
ADDITIONS	
Sewer and stormwater billing collections	<u>\$ 2,212,945</u>
Total additions	<u>2,212,945</u>
DEDUCTIONS	
Payments to other governments and entities	<u>2,212,684</u>
Total deductions	<u>2,212,684</u>
Change in fiduciary net position	261
NET POSITION, beginning of year	<u>(261)</u>
NET POSITION, end of year	<u><u>\$ -</u></u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise fund:

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

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

Additionally, the City reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The **custodial fund** is used to account for money collected on behalf of other municipalities and utilities for which the City provides billing services.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds, with the exception of capital projects funds and grant-related special revenue funds, for which project length budgets are adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. All funds, including the proprietary funds, are budgeted on the modified accrual basis of accounting and are adopted to show use of fund balance/net position as an other financing source. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2022, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules. All annual budget appropriations lapse at the end of each year.

E. Deposits

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Cash and Cash Equivalents

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

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1.

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

H. Allowances

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

I. Interfund Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Inventories and Prepaid Items

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

K. Capital Assets

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

Capital assets of the City are depreciated using the straight-line method over 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, and gutters	25 years
Infrastructure - bridges	50 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases

Lessor

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

The vacation policy of the City generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

O. Long-term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity

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

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

Fund balances are classified as follows:

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes imposed by majority vote by quorum of the City Council. The City Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of a subsequent ordinance).

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

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

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

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LGERS and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- (1) Around the middle of February each year (legally required by to be completed by April 30th), all departments/activities of the City submit requests for appropriation to the Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
- (2) In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In May of each year, the proposed budget is presented to City Council for review (legally required to be submitted by June 1st). The City adopts the budget ordinance by July 1st of each year.
- (3) All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multiyear project funds. All amendments must be approved by City Council and City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by City Council. Budgeted expenditure appropriations lapse at year-end.
- (4) Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year-end lapse and are generally re-appropriated in the succeeding year's budget.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2022, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,873,868
Investments	10,449,830
Restricted cash and cash equivalents	17,707,114
Statement of Fiduciary Net Position	184,097
	<u>\$ 31,214,909</u>
Cash deposited with financial institution	\$ 20,765,079
Cash deposited with NCCMT	4,991,384
Investments	5,458,446
	<u>\$ 31,214,909</u>

Credit Risk. State statutes and the City's policies authorize the City to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

As of June 30, 2022, the City's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Fair Value June 30, 2022	Maturity Date	Rating
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 4,991,384	None	AAAm
Federal Home Loan Banks (FHLB) Callable Bonds	Fair Value Level 2	465,410	3/24/2026	AA+
Federal Farm Credit Banks (FFCB) Callable Bonds	Fair Value Level 2	1,961,240	3/15/2023	AA+
Federal Home Loan Mortgage Corporation (FHLMC) Callable Bonds	Fair Value Level 1	962,190	12/4/2023	AA+
U.S. Treasury Notes	Fair Value Level 1	2,069,606	11/30/2022	AA+
		<u>\$ 10,449,830</u>		

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

As of June 30, 2022, all of the City's deposits were covered by federal depository insurance or collateral held under the Pooling Method.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2022, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Capital Projects	Nonmajor Governmental	Water and Sewer	Parking Services	Nonmajor Enterprise
Receivables:						
Taxes	\$ 3,444,245	\$ 40,940	\$ 120,628	\$ 19	\$ 3,944	\$ -
Notes	458,506	-	537,500	-	-	-
Accounts	298,091	-	176	3,270,802	99,587	395,603
Due from other governments	-	-	199,682	3,971,915	-	246,124
Less allowance for uncollectible	(210,200)	-	(7,972)	(78,683)	(91,707)	(7,215)
Net Receivables	<u>\$ 3,990,642</u>	<u>\$ 40,940</u>	<u>\$ 850,014</u>	<u>\$ 7,164,053</u>	<u>\$ 11,824</u>	<u>\$ 634,512</u>

Notes Receivable – Grey Hosiery Mill. The City entered into two (2) notes receivable during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 began in January 2020 and will continue through maturity of the note in December 2027. The balance on this note at June 30, 2022, is \$137,500. The second note was for \$500,000 and does not bear interest. A payment of \$100,000 was made during the current fiscal year and then annual installments of \$50,000 are to begin in December 2027 and continue through December 2034. The balance on this note at June 30, 2022, is \$400,000.

Note Receivable – Garrison Property. In November 2020, the City entered into an economic development agreement with the Economic Investment Fund of Henderson County, Inc. (the "Fund") and Henderson County, North Carolina (the "County") related to the purchase of property by the Fund. Pursuant to the economic development agreement, a total of approximately \$2.3 million was loaned to the Fund with 50% coming from the City and 50% coming from the County. The proceeds from the note are being used to finance the purchase, marketing, and development of the property for the purpose of subsequently selling the property to industries. The note bears interest at a variable rate equal to the Wall Street Journal Prime Rate as published in the Wall Street Journal at the anniversary of the date of the note. The interest rate at each anniversary will be the rate for the one (1) year until the next anniversary and the rate is reset. As of June 30, 2021, the applicable interest rate is 3.25%. There is no scheduled amortization schedule for the note with regard to principal as amounts will be repaid to the City and to the County as parcels of the property are sold by the Fund. The entire principal balance is due and payable by the Fund by February 2031. The balance on this note at June 30, 2022, is \$458,506.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES (CONTINUED)

Leases as Lessor

During the fiscal year, the City had an active noncancelable lease agreement as lessor. The City has leased real property to a third party for the development of a cellular telecommunications tower. The City receives monthly payments in the amount of \$1,980 which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the City determined an incremental borrowing rate for the lease of 3.07% which has been used as the discount rate for the lease. For the current year, the City recognized \$20,640 in lease revenue and \$21,690 in interest revenue related to the lease. As of June 30, 2022, the City's receivable for lease payments was \$737,830, which is recorded in the City's Water and Sewer Fund (and business-type activities in the government-wide statement of net position). The City reports a corresponding deferred inflow of resources associated with this lease that will be recognized over the lease term that ends on November 15, 2055. This deferred inflow of resources has a balance of \$740,294 as of June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Nondepreciable capital assets:					
Land	\$ 6,708,730	\$ -	\$ (1,904,708)	\$ -	\$ 4,804,022
Construction in progress	10,738,437	3,178,315	(560,864)	(11,758,418)	1,597,470
Total	<u>17,447,167</u>	<u>3,178,315</u>	<u>(2,465,572)</u>	<u>(11,758,418)</u>	<u>6,401,492</u>
Capital assets, being depreciated:					
Buildings and improvements	15,470,273	12,653	-	11,480,815	26,963,741
Other improvements	5,112,121	-	-	-	5,112,121
Machinery and equipment	9,811,948	791,168	(116,739)	-	10,486,377
Software	413,918	-	-	-	413,918
Infrastructure	19,080,004	-	-	277,603	19,357,607
Total being depreciated	<u>49,888,264</u>	<u>803,821</u>	<u>(116,739)</u>	<u>11,758,418</u>	<u>62,333,764</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,095,582)	(435,848)	-	-	(6,531,430)
Other improvements	(3,910,754)	(69,957)	-	-	(3,980,711)
Machinery and equipment	(6,038,428)	(834,640)	63,196	-	(6,809,872)
Software	(412,675)	(1,243)	-	-	(413,918)
Infrastructure	(9,577,365)	(683,848)	-	-	(10,261,213)
Total	<u>(26,034,804)</u>	<u>(2,025,536)</u>	<u>63,196</u>	<u>-</u>	<u>(27,997,144)</u>
Total capital assets, being depreciated, net	<u>23,853,460</u>	<u>(1,221,715)</u>	<u>(53,543)</u>	<u>11,758,418</u>	<u>34,336,620</u>
Governmental activities capital assets, net	<u>\$ 41,300,627</u>	<u>\$ 1,956,600</u>	<u>\$ (2,519,115)</u>	<u>\$ -</u>	<u>\$ 40,738,112</u>

The decreases shown in the schedule above for land and construction in progress represent amounts transferred from the City's governmental activities to the newly created Parking Services Fund. These amounts are shown as capital contributions at the fund level in the Parking Service Fund and then reclassified to transfers between governmental activities and business-type activities on the statement of activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Water and Sewer Fund:					
Nondepreciable capital assets:					
Land	\$ 3,228,958	\$ 2,313	\$ -	\$ 14,916	\$ 3,246,187
Construction in progress	16,988,218	7,948,808	(103,391)	(1,205,408)	23,628,227
Total	<u>20,217,176</u>	<u>7,951,121</u>	<u>(103,391)</u>	<u>(1,190,492)</u>	<u>26,874,414</u>
Capital assets, being depreciated:					
Buildings	1,589,658	-	-	127,972	1,717,630
Plant and distribution systems	115,262,381	2,272,034	(4,829)	1,062,520	118,592,106
Machinery and equipment	19,838,492	520,681	-	-	20,359,173
Other improvements	217,835	-	-	-	217,835
Software	202,631	-	-	-	202,631
Total	<u>137,110,997</u>	<u>2,792,715</u>	<u>(4,829)</u>	<u>1,190,492</u>	<u>141,089,375</u>
Less accumulated depreciation for:					
Buildings	(882,425)	(53,909)	-	-	(936,334)
Plant and distribution systems	(45,816,587)	(2,907,642)	260	-	(48,723,969)
Machinery and equipment	(16,747,451)	(796,650)	-	-	(17,544,101)
Other improvements	(36,367)	(16,978)	-	-	(53,345)
Software	(157,358)	(14,582)	-	-	(171,940)
Total	<u>(63,640,188)</u>	<u>(3,789,761)</u>	<u>260</u>	<u>-</u>	<u>(67,429,689)</u>
Total capital assets being depreciated, net	<u>73,470,809</u>	<u>(997,046)</u>	<u>(4,569)</u>	<u>1,190,492</u>	<u>73,659,686</u>
Water and sewer fund capital assets, net	<u>\$ 93,687,985</u>	<u>\$ 6,954,075</u>	<u>\$ (107,960)</u>	<u>\$ -</u>	<u>\$ 100,534,100</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Parking Services Fund:					
Nondepreciable capital assets:					
Land	\$ -	\$ 1,912,656	\$ -	\$ -	\$ 1,912,656
Construction in progress	-	3,926,819	-	-	3,926,819
Total	<u>-</u>	<u>5,839,475</u>	<u>-</u>	<u>-</u>	<u>5,839,475</u>
Parking services fund capital assets, net	<u>\$ -</u>	<u>\$ 5,839,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,839,475</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Environmental Services Fund:					
Nondepreciable capital assets:					
Land	\$ 11,134	\$ -	\$ -	\$ -	\$ 11,134
Total	<u>11,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,134</u>
Capital assets, being depreciated:					
Machinery and equipment	1,982,395	124,350	-	-	2,106,745
Total	<u>1,982,395</u>	<u>124,350</u>	<u>-</u>	<u>-</u>	<u>2,106,745</u>
Less accumulated depreciation for:					
Machinery and equipment	(1,414,688)	(141,605)	-	-	(1,556,293)
Total	<u>(1,414,688)</u>	<u>(141,605)</u>	<u>-</u>	<u>-</u>	<u>(1,556,293)</u>
Total capital assets being depreciated, net	<u>567,707</u>	<u>(17,255)</u>	<u>-</u>	<u>-</u>	<u>550,452</u>
Environmental services fund capital assets, net	<u>\$ 578,841</u>	<u>\$ (17,255)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,586</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Stormwater Fund:					
Nondepreciable capital assets:					
Land	\$ 110,259	\$ 135,990	\$ -	\$ -	\$ 246,249
Construction in progress	-	-	-	-	-
Total	<u>110,259</u>	<u>135,990</u>	<u>-</u>	<u>-</u>	<u>246,249</u>
Capital assets, being depreciated:					
Plant and distribution systems	433,451	-	-	-	433,451
Machinery and equipment	300,735	41,450	-	-	342,185
Other improvements	29,473	-	-	-	29,473
Total	<u>763,659</u>	<u>41,450</u>	<u>-</u>	<u>-</u>	<u>805,109</u>
Less accumulated depreciation for:					
Plant and distribution systems	(50,342)	(15,581)	-	-	(65,923)
Machinery and equipment	(30,085)	(24,386)	-	-	(54,471)
Other improvements	(17,684)	(3,192)	-	-	(20,876)
Total	<u>(98,111)</u>	<u>(43,159)</u>	<u>-</u>	<u>-</u>	<u>(141,270)</u>
Total capital assets being depreciated, net	<u>665,548</u>	<u>(1,709)</u>	<u>-</u>	<u>-</u>	<u>663,839</u>
Stormwater fund capital assets, net	<u>\$ 775,807</u>	<u>\$ 134,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910,088</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 360,524
Public safety	859,121
Transportation	701,041
Economic and physical development	18,050
Culture and recreation	86,800
Total depreciation expense - governmental activities	<u>\$ 2,025,536</u>
Business-type activities:	
Water and sewer fund	\$ 3,789,761
Environmental services fund	141,605
Stormwater fund	43,159
Total depreciation expense - business-type activities	<u>\$ 3,974,525</u>

Ongoing construction in progress in the City's governmental activities is primarily related to the City Hall Exterior Repairs, Fire Station One, Edwards Park, Seventh Avenue Streetscape, and Tracey Grove Road Bridge projects. The City had remaining commitments on these projects in the amount of approximately \$287,000 as of June 30, 2022.

Ongoing construction in progress in the City's business-type activities is primarily related to the Etowah Water System Improvement, French Broad River Intake, Wastewater Treatment Plant UV, Clear Creek Interceptor and Parking Deck projects. The City had remaining commitments on these projects in the amount of approximately \$22,921,000 as of June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Presented below is a summary of changes in long-term debt and other obligations for the City's governmental activities for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Direct borrowings/placements:					
General obligation bonds:					
GORB - October 2017	\$ 852,000	\$ -	\$ (158,000)	\$ 694,000	\$ 155,000
Limited obligation bonds:					
LOBS - November 2021	-	3,420,000	(85,000)	3,335,000	220,000
Original issue premium		648,631	(47,681)	600,950	-
	<u>852,000</u>	<u>4,068,631</u>	<u>(290,681)</u>	<u>4,629,950</u>	<u>375,000</u>
Installment purchase contracts:					
IPC - April 2013	3,600,000	-	(300,000)	3,300,000	300,000
IPC - September 2015	9,232	-	(9,232)	-	-
IPC - June 2017	497,498	-	(39,774)	457,724	40,785
IPC - October 2018	2,166,000	-	(2,166,000)	-	-
IPC - June 2019	285,563	-	(92,883)	192,680	95,015
IPC - June 2020	11,500,000	-	(11,500,000)	-	-
IPC - May 2021	768,161	-	(42,884)	725,277	43,950
IPC - December 2021	-	6,500,000	-	6,500,000	157,170
IPC - December 2021	-	5,000,000	-	5,000,000	120,900
IPC - February 2022	-	609,956	(75,887)	534,069	149,789
	<u>18,826,454</u>	<u>12,109,956</u>	<u>(14,226,660)</u>	<u>16,709,750</u>	<u>907,609</u>
Financed purchases	<u>586,602</u>	<u>-</u>	<u>(171,800)</u>	<u>414,802</u>	<u>138,025</u>
Total direct borrowings/ direct placements	20,265,056	16,178,587	(14,689,141)	21,754,502	1,420,634
Compensated absences	658,046	670,166	(207,088)	1,121,124	664,151
Total OPEB liability	2,704,764	192,030	(350,779)	2,546,015	-
Net pension liability (LGERS)	4,346,219	1,540,445	(4,135,199)	1,751,465	-
Total pension liability (LEOSSA)	<u>1,619,778</u>	<u>121,516</u>	<u>(74,288)</u>	<u>1,667,006</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 29,593,863</u>	<u>\$ 18,702,744</u>	<u>\$ (19,456,495)</u>	<u>\$ 28,840,112</u>	<u>\$ 2,084,785</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Presented below is a summary of changes in long-term debt and other obligations for the City's business-type activities for the year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities:					
Direct borrowings/placements:					
Revenue bonds:					
Series 2019	\$ 10,889,000	\$ -	\$ (1,215,000)	\$ 9,674,000	\$ 1,219,000
Series 2022	-	6,915,000	-	6,915,000	299,000
Limited obligation bonds:					
Series 2021	-	10,965,000	-	10,965,000	375,000
Original issue premium	-	1,783,343	(96,292)	1,687,051	166,660
	<u>10,889,000</u>	<u>19,663,343</u>	<u>(1,311,292)</u>	<u>29,241,051</u>	<u>2,059,660</u>
State revolving loans:					
SRF - November 2001	662,500	-	(662,500)	-	-
SRF - May 2011	285,891	-	(28,589)	257,302	28,589
SRF - June 2015	1,270,500	-	(90,750)	1,179,750	90,750
SRF - July 2015	3,038,420	-	(217,030)	2,821,390	217,030
SRF - March 2016	1,949,473	-	(139,248)	1,810,225	139,248
SRF - June 2020 (Streambank)	2,776,847	175,530	(149,124)	2,803,253	149,124
SRF - June 2020 (Northside)	3,620,297	1,469,834	(268,547)	4,821,584	268,547
SRF - June 2022 (Fr. Broad)	-	2,215,913	-	2,215,913	110,796
	<u>13,603,928</u>	<u>3,861,277</u>	<u>(1,555,788)</u>	<u>15,909,417</u>	<u>1,004,084</u>
Installment purchase contracts:					
IPC - September 2015	33,150	-	(33,150)	-	-
IPC - June 2020	405,263	-	(64,385)	340,878	65,616
IPC - June 2022	-	409,113	-	409,113	56,360
	<u>438,413</u>	<u>409,113</u>	<u>(97,535)</u>	<u>749,991</u>	<u>121,976</u>
Financed purchases	<u>109,932</u>	<u>-</u>	<u>(25,505)</u>	<u>84,427</u>	<u>26,086</u>
Total direct borrowings/ direct placements	25,041,273	23,933,733	(2,990,120)	45,984,886	3,211,806
Compensated absences	449,283	349,723	(69,192)	729,814	399,518
Total OPEB liability	1,758,097	143,395	(319)	1,901,173	-
Net pension liability (LGERS)	<u>2,819,216</u>	<u>1,150,290</u>	<u>(2,661,446)</u>	<u>1,308,060</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 30,067,869</u>	<u>\$ 25,577,141</u>	<u>\$ (5,721,077)</u>	<u>\$ 49,923,933</u>	<u>\$ 3,611,324</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

Details on the City's outstanding long-term debt as of June 30, 2022, are as follows:

General Obligation Refunding Bonds

\$1,352,000 General Obligation Refunding Bonds, Series 2017 issued in October 2017, due in annual installments of \$9,000 to \$166,000 beginning March 1, 2018, through March 1, 2027, plus interest of 2.02% due semiannually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008. As of June 30, 2022, the outstanding balance of these bonds is \$694,000.

Limited Obligation Bonds

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$85,000 to \$230,000 beginning June 1, 2022, through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's governmental activities, the proceeds from the bonds were used to (1) retire a previously outstanding installment purchase contract and (2) provide funds for a streetscape project. As of June 30, 2022, the outstanding balance of the portion of these bonds allocated to governmental activities is \$3,335,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

	Principal	Interest	Total
Year Ending June 30,			
2023	\$ 375,000	\$ 162,770	\$ 537,770
2024	377,000	148,635	525,635
2025	374,000	134,315	508,315
2026	371,000	120,060	491,060
2027	317,000	105,860	422,860
2028-2032	1,160,000	348,500	1,508,500
2033-2037	715,000	111,750	826,750
2038-2041	340,000	25,500	365,500
Total	\$ 4,029,000	\$ 1,157,390	\$ 5,186,390

Revenue Bonds

\$12,897,000 Water and Sewer Revenue Bond issued in December 2019, due in annual installments of \$477,000 to \$1,238,000 beginning on June 1, 2020, through June 1, 2034, plus interest at 1.87% due semiannually. The proceeds of this issue were used for water/sewer system improvements and equipment and to current refund a previously outstanding installment purchase contract. As of June 30, 2022, the outstanding balance of these bonds is \$9,674,000.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Limited Obligation Bonds

\$14,385,000 Limited Obligation Bonds, Series 2021 issued in November 2021, due in annual installments of \$375,000 to \$780,000 beginning June 1, 2023, through June 1, 2041, plus interest of 3.00% to 5.00% due semiannually. The proceeds from this issue, along with the original issue premium, were split between the City's governmental activities and the Parking Services Fund. For the City's Parking Services Fund, the proceeds from the bonds were used for the construction of a parking deck and related facilities in downtown Hendersonville. As of June 30, 2022, the outstanding balance of the portion of these bonds allocated to the Parking Services Fund is \$10,965,000.

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

	Principal	Interest	Total
Year Ending June 30,			
2023	\$ 1,893,000	\$ 765,525	\$ 2,658,525
2024	1,925,000	717,530	2,642,530
2025	1,950,000	668,340	2,618,340
2026	1,986,000	618,170	2,604,170
2027	2,018,000	566,525	2,584,525
2028-2032	6,836,000	2,154,450	8,990,450
2033-2037	6,243,000	1,127,875	7,370,875
2038-2041	4,703,000	320,685	5,023,685
Total	\$ 27,554,000	\$ 6,939,100	\$ 34,493,100

Revenue Bond Rate Covenant

The City is in compliance with the rate covenant per Section 6.6 of the General Indenture, authorizing the issuance of the Revenue Bond, Series 2019. Section 6.6 of the General Indenture requires (a) revenues, together with 20% of the balance in the surplus fund at the end of the preceding fiscal year, at least equal (i) 100% of current expenses plus (ii) 120% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness and (b) revenues at least equal (i) 100% of current expenses plus (ii) 110% of annual principal and interest requirements of revenue bonds plus (iii) 100% of debt service requirements of other indebtedness. The rate covenant calculation for the year ended June 30, 2022, is shown in the table on the next page.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Revenue Bond Rate Covenant (Continued)

Water and Sewer Fund	
Revenues (1)	\$ 20,681,826
Current expenses (2)	16,076,053
Surplus Fund (3)	7,575,168
Principal and interest on revenue bond	1,465,291
Principal and interest on other indebtedness	1,790,270
 (a) Revenues plus 20% of Surplus Fund	 22,196,860
(a)(i) 100% of current expenses	16,076,053
(a)(ii) 120% of annual principal and interest on revenue bond	1,758,349
(a)(iii) 100% of annual principal and interest on other indebtedness	1,790,270
	<u>19,624,672</u>
 Covenant met	 \$ 2,572,188
 (b) Revenues	 \$ 20,681,826
(b)(i) 100% of current expenses	16,076,053
(b)(ii) 110% of annual principal and interest on revenue bond	1,611,820
(b)(iii) 100% of annual principal and interest on other indebtedness	1,790,270
	<u>19,478,143</u>
 Covenant met	 \$ 1,203,683

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

(2) This does not include depreciation expense.

(3) This is the June 30, 2021, unrestricted cash and investment balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Installment Purchase Contracts

	June 30, 2022
<p>\$6,000,000 Installment Purchase Contract with Truist (formerly BB&T) issued in April 2013 (IPC - April 2013), due in semi-annual installments of \$150,000 beginning on October 5, 2013, through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.</p>	\$ 3,300,000
<p>\$242,500 Installment Purchase Contract with Entegra issued in June 2017 (IPC - June 2017), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017, through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.</p>	457,724
<p>\$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.</p>	192,680
<p>\$468,439 Installment Purchase Contract with US Bank in June 2020 (IPC - June 2020), due in annual installments of \$45,034 to \$48,696 beginning December 19, 2020, through December 19, 2025, plus interest at 1.90% due semi-annually. The proceeds of this issue were used to purchase three freightliner street sweepers.</p>	340,878
<p>\$768,161 Installment Purchase Contract with Wells Fargo issued in May 2021 (IPC - May 2021), due in annual installments of \$61,595 beginning November 5, 2021, through May 5, 2036, plus interest at 2.47% due semi-annually. The proceeds of this issue were used to purchase a fire truck and related equipment.</p>	725,277
<p>\$1,019,070 Installment Purchase Contract with Santander Bank issued in February 2022 (IPC - February 2022), due in annual installments of \$78,570 beginning June 15, 2022, through December 15, 2025, plus interest at 1.48% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment and were shared by the City's governmental (60%) and business-type activities (40%).</p>	943,182
<p>\$6,500,000 and \$5,000,000 Installment Purchase Contracts with the United States Department of Agriculture issued in December 2021. The IPCs provide permanent financing for the City's construction of the new police station and related public safety equipment. Both IPCs bear interest at 2.125% and are due in annual installments of principal and interest beginning in December 2022 until maturity in December 2051.</p>	11,500,000
Total outstanding installment purchase contracts	\$ 17,459,741

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Installment Purchase Contracts (Continued)

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

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 907,609	\$ 335,130	\$ 1,242,739	\$ 121,976	\$ 12,087	\$ 134,063
2024	920,521	317,500	1,238,021	123,076	10,988	134,064
2025	832,666	300,820	1,133,486	125,366	8,698	134,064
2026	765,435	284,285	1,049,720	127,698	6,366	134,064
2027	696,029	269,930	965,959	130,074	3,990	134,064
2028-2032	3,615,169	1,136,795	4,751,964	121,801	2,737	124,538
2033-2037	2,322,334	840,160	3,162,494	-	-	-
2038-2042	1,988,068	624,155	2,612,223	-	-	-
2043-2047	2,208,565	403,660	2,612,225	-	-	-
2048-2052	2,453,354	158,705	2,612,059	-	-	-
Total	<u>\$ 16,709,750</u>	<u>\$ 4,671,140</u>	<u>\$ 21,380,890</u>	<u>\$ 749,991</u>	<u>\$ 44,866</u>	<u>\$ 794,857</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

State Revolving Loans

	<u>Balance as of June 30, 2022</u>
\$571,781 State Revolving Loan finalized in May 2011 (SRF - May 2011), due in annual installments of \$28,589 beginning on May 1, 2012, through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	\$ 257,302
\$1,815,000 State Revolving Loan finalized in June 2015 (SRF - June 2015), due in annual installments of \$90,750 beginning on May 1, 2016, through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek sewer project.	1,179,750
\$4,340,600 State Revolving Loan finalized in July 2015 (SRF - July 2015), due in annual installments of \$217,030 beginning on May 1, 2016, through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Jackson Creek sewer project.	2,821,390
\$3,000,000 State Revolving Loan finalized in March 2016 (SRF - March 2016), due in annual installments of \$139,248 beginning on May 1, 2016, through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for the Shepard Creek water/sewer system improvements.	1,810,225
\$2,982,484 approved State Revolving Loan finalized in June 2022 (SRF - June 2020 - Streambank). The loan is due in annual installments of \$149,124 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue were used for the Streambank Restoration project.	2,803,253
\$5,370,932 approved State Revolving Loan finalized in June 2022 (SRF - June 2020 - Northside). The loan is due in annual installments of \$268,547 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue were used for the Northside Water System project.	4,821,584
\$24,514,035 approved State Revolving Loan of which only \$2,215,913 has been drawn down through June 2022 (SRF - July 2022 - French Broad). Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2022, through May 1, 2043, with no interest. The proceeds of this issue are being used for the French Broad project.	<u>2,215,913</u>
Total outstanding state revolving loans	<u>\$ 15,909,417</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

State Revolving Loans (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,004,084	\$ 185,368	\$ 1,189,452
2024	1,006,007	172,415	1,178,422
2025	1,006,007	159,462	1,165,469
2026	1,006,007	146,510	1,152,517
2027	1,006,007	133,557	1,139,564
2028-2032	5,001,448	473,494	5,474,942
2033-2037	3,993,035	169,253	4,162,288
2038-2042	1,886,822	33,031	1,919,853
Total	<u>\$ 15,909,417</u>	<u>\$ 1,473,090</u>	<u>\$ 17,382,507</u>

Financed Purchases

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

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

Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2023	\$ 138,025	\$ 26,086
2024	138,025	26,086
2025	115,350	26,086
2026	23,402	6,169
Total minimum lease payments	414,802	84,427
Less amount representing interest	-	-
Total payments on financed purchases	<u>\$ 414,802</u>	<u>\$ 84,427</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2022, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 199,682

The Grants Fund (a nonmajor governmental fund) owes the General Fund for providing cash resources upfront to pay for reimbursable grant expenditures. The amount owed to the General Fund by the Grants Fund is equal to the outstanding receivable balance the Grants Fund is waiting to collect from grantor agencies.

Interfund transfers:

Transfers In	Transfers Out	Amount
Governmental Capital Projects Fund	General Fund	\$ 147,246
Governmental Capital Projects Fund	Parking Services Fund	2,460,572
		\$ 2,607,818
Parking Services Fund	General Fund	\$ 350,000
Nonmajor governmental funds	General Fund	\$ 481,340

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS

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

	Deferred Outflow of Resources	Deferred Inflow of Resources	Pension Expense
Local Governmental Employees' Retirement System	\$ 4,741,189	\$ 4,595,264	\$ 1,431,012
Law Enforcement Officers' Special Separation Allowance	429,513	85,004	197,805
Total for All Pension Plans	\$ 5,170,702	\$ 4,680,268	\$ 1,628,817

A. Local Governmental Employees' Retirement System

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022, was 12.10% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$1,840,893 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2022, the City reported a liability of \$3,059,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (the measurement date), the City's proportion was 0.19950%, which was a decrease of 0.00102% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,431,012. At June 30, 2022, 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	\$ 973,345	\$ -
Changes in plan assumptions	1,922,163	-
Net difference between projected and actual earnings on pension plan investments	-	4,371,141
Changes in proportion and differences between City contributions and proportionate share of contributions	4,788	224,123
City contributions subsequent to the measurement date	1,840,893	-
Total	\$ 4,741,189	\$ 4,595,264

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

City contributions made subsequent to the measurement date of \$1,840,893 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ 189,889
2024	(192,112)
2025	(355,149)
2026	(1,337,596)
	<u>\$ (1,694,968)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020, 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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 11,876,818	\$ 3,059,525	\$ (4,196,596)

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

B. Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At June 30, 2021, the date of the most recent actuarial valuation, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	42
Total	46

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

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

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.06 percent

The discount rate used to measure the total pension liability is the Bond Buyer 20-Bond GO index. Since the prior measurement date, the discount rate has changed from 1.93% to 2.06% due to a change in the index.

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$77,795 as benefits came due for the reporting period.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

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

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

At June 30, 2022, the City reported a total pension liability of \$1,667,006. The total pension liability was measured as of December 31, 2021, based on a June 30, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$197,805.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 42,755	\$ 54,281
Change in assumptions	336,048	30,723
City benefit payments made subsequent to the measurement date.	50,710	-
Total	\$ 429,513	\$ 85,004

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

Year ending June 30,			
2023	\$	79,562	
2024		76,726	
2025		70,262	
2026		62,144	
2027		5,105	
Total	\$	293,799	

Changes in the Total Pension Liability. The changes in the total pension liability of the City for the fiscal year ended June 30, 2022, were as follows:

	Total Pension Liability	
Balance at June 30, 2021	\$	1,619,778
Service cost		89,032
Interest		30,716
Experience differences		1,768
Assumption changes		(17,720)
Benefit payments		(56,568)
Balance at June 30, 2022	\$	1,667,006

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

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

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

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

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 2.06 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 (1.06 percent) or 1-percentage-point higher (3.06 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,810,852	\$ 1,667,006	\$ 1,537,043

C. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The City's law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022, were \$118,773, all of which were paid by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

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

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

Contributions

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. For the fiscal year ended June 30, 2022, the monthly premium for retirees was \$1,161 for the PPO plan and \$1,069 for the HSA plan. The City’s retirees may continue with dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

During the year ended June 30, 2022, the City made contributions/benefit payments of approximately \$173,000. The City provides healthcare coverage by paying a premium to the North Carolina League of Municipalities Health Benefits Trust. The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

Actuarial Assumptions and Other Inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2022, and the current sharing pattern of costs between employer and inactive employees.

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

Inflation rate	2.50%
Real wage growth	3.25%
Annual rates of salary increases	3.25% to 8.25%, including inflation
Municipal bond index rate	
Prior measurement date	2.21%
Measurement date	2.16%
Health care cost trends	
Pre-medicare	4.50% - 7.50%, Ultimate Trend in 2028
Medicare	4.50% - 7.50%, Ultimate Trend in 2028
Participation rates	100% of eligible retirees elect to receive coverage

Pursuant to GASB Statement No. 75, for unfunded plans the discount rate should be a yield or index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark and that index was 2.16% on June 30, 2021.

Changes in assumption and other inputs include (1) a change in the discount rate from 2.21% to 2.16%; (2) an update to the medical trend rate; and (3) adopting the recommendations from the 2019 experience study for the LGERS pension plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the City for the fiscal year ended June 30, 2022, were as follows:

	Total OPEB Liability
Balance at June 30, 2021	\$ 4,507,940
Service Cost	238,811
Interest	96,612
Assumption changes	(86,726)
Experience differences	(36,747)
Benefit payments	(272,702)
Balance at June 30, 2022	\$ 4,447,188

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 4,907,932	\$ 4,447,188	\$ 4,041,836

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

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB liability	\$ 3,977,524	\$ 4,447,188	\$ 5,018,501

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$398,485. At June 30, 2022, 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	\$ 523,626	\$ 32,664
Changes in plan assumptions	600,705	128,000
City contributions subsequent to the measurement date	172,998	-
Total	\$ 1,297,329	\$ 160,664

City contributions made subsequent to the measurement date of \$172,998 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,			
2023	\$	145,358	
2024		145,358	
2025		145,358	
2026		145,358	
2027		145,358	
Thereafter		236,877	
		\$ 963,667	

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 the County participate in the National Flood Insurance Program and City management is currently studying the facilities and flood mapping to consider what types of coverages are necessary.

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

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

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

Grant Contingencies:

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

NOTES TO FINANCIAL STATEMENTS

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

Joint Activities:

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

Jointly Governed Organization:

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

Related Organizations

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENT

On October 4, 2022, the City issued a new installment purchase contract (IPC) in the principal amount of \$18,802,000 to Truist Bank. The new IPC bears interest at 2.99% and payments will commence on April 1, 2023, and continue semi-annually until the IPC matures on April 1, 2043. The proceeds from the IPC will be used for various City projects including the new Fire Station, Fire Ladder, Fire Engine, and Edwards Park Development.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability, beginning balance	\$ 1,619,778	\$ 1,193,484	\$ 1,069,048	\$ 970,249	\$ 880,684	\$ 869,979
Service cost	89,032	61,387	60,562	62,891	50,871	49,449
Interest on the total pension liability	30,716	37,986	38,281	30,114	33,536	30,213
Difference between expected and actual experience	1,768	(70,177)	24,162	83,614	(39,137)	-
Changes of assumptions or other inputs	(17,720)	453,666	36,179	(43,296)	68,066	(21,588)
Benefit payments	<u>(56,568)</u>	<u>(56,568)</u>	<u>(34,748)</u>	<u>(34,524)</u>	<u>(23,771)</u>	<u>(47,369)</u>
Total pension liability, ending balance	<u>\$ 1,667,006</u>	<u>\$ 1,619,778</u>	<u>\$ 1,193,484</u>	<u>\$ 1,069,048</u>	<u>\$ 970,249</u>	<u>\$ 880,684</u>

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,667,006	\$ 1,619,778	\$ 1,193,484	\$ 1,069,048	\$ 970,249	\$ 880,684
City's covered-employee payroll	\$ 2,023,715	\$ 2,307,729	\$ 2,386,117	\$ 2,282,787	\$ 2,160,041	\$ 2,069,581
Total pension liability as a percentage of covered-employee payroll	82.37%	70.19%	50.02%	46.83%	44.92%	42.55%

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

LAST NINE FISCAL YEARS

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 238,811	\$ 170,370	\$ 123,683	\$ 129,414	\$ 124,941
Interest on total OPEB liability	96,612	131,176	105,858	100,620	99,943
Difference between expected and actual experience	(36,747)	-	772,971	-	-
Changes of assumptions and other inputs	(86,726)	573,183	222,593	(89,335)	-
Benefit payments	<u>(272,702)</u>	<u>(229,373)</u>	<u>(195,743)</u>	<u>(236,193)</u>	<u>(175,737)</u>
Net change in total OPEB liability	(60,752)	645,356	1,029,362	(95,494)	49,147
Total OPEB liability - beginning	4,507,940	3,862,584	2,833,222	2,928,716	2,879,569
Total OPEB liability - ending	<u>\$ 4,447,188</u>	<u>\$ 4,507,940</u>	<u>\$ 3,862,584</u>	<u>\$ 2,833,222</u>	<u>\$ 2,928,716</u>
Covered-employee payroll	\$ 11,014,264	\$ 12,405,563	\$ 12,405,563	\$ 10,236,625	\$ 10,236,625
Total OPEB liability as a percentage of covered-employee payroll	40.4%	36.3%	31.1%	27.7%	28.6%

Notes to the Schedule:

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

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

GENERAL FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 11,213,690	\$ 11,408,948	\$ 11,526,222	\$ 117,274
Penalties and interest	2,000	19,125	21,845	2,720
Total ad valorem taxes	<u>11,215,690</u>	<u>11,428,073</u>	<u>11,548,067</u>	<u>119,994</u>
Other taxes and licenses:				
Beer and wine	2,000	3,280	3,400	120
Local vehicle rental tax	7,500	6,603	7,020	417
Total other taxes and licenses	<u>9,500</u>	<u>9,883</u>	<u>10,420</u>	<u>537</u>
Unrestricted intergovernmental revenue:				
Local option sales taxes	4,200,000	4,675,000	4,922,023	247,023
Payment in lieu of taxes (external sources)	71,346	71,346	71,346	-
Utility sales tax	965,000	990,000	1,040,196	50,196
Telecommunications sales tax	145,000	130,000	115,601	(14,399)
Video franchise fee	90,000	90,000	111,963	21,963
Beer and wine tax	60,000	63,955	63,957	2
ABC profit distribution	335,000	332,500	337,500	5,000
Court fees	2,500	5,660	6,241	581
Total unrestricted intergovernmental	<u>5,868,846</u>	<u>6,358,461</u>	<u>6,668,827</u>	<u>310,366</u>
Restricted intergovernmental revenue:				
Powell bill allocation	380,200	467,860	467,859	(1)
ABC revenue for law enforcement	40,000	40,000	40,000	-
On-behalf payments - fire and rescue	-	-	78,592	78,592
School resource officer reimbursement	37,838	243,298	225,797	(17,501)
HHA officer reimbursement	68,125	35,000	35,000	-
Other grant revenues	-	2,000	10,558	8,558
Total restricted intergovernmental	<u>526,163</u>	<u>788,158</u>	<u>857,806</u>	<u>69,648</u>
Permits and fees:				
Building permits and inspection fees	220,000	226,985	231,202	4,217
Business registration fees	11,000	11,000	-	(11,000)
Special project fees	12,350	42,475	51,180	8,705
Motor vehicle fees	201,500	200,000	214,380	14,380
Total permits and fees	<u>444,850</u>	<u>480,460</u>	<u>496,762</u>	<u>16,302</u>
Sales and services:				
Facility rent	67,550	76,795	38,549	(38,246)
Recreation fees	16,000	20,822	26,752	5,930
Parking fees	182,500	-	-	-
Cemetery fees	10,000	35,000	36,000	1,000
Total sales and services	<u>276,050</u>	<u>132,617</u>	<u>101,301</u>	<u>(31,316)</u>
Investment earnings	100,000	100,000	(43,069)	(143,069)
Miscellaneous revenues:				
Parking violations and penalties	22,500	-	-	-
Miscellaneous	5,000	92,715	91,395	(1,320)
Total miscellaneous revenues	<u>27,500</u>	<u>92,715</u>	<u>91,395</u>	<u>(1,320)</u>
Total revenues	<u>18,468,599</u>	<u>19,390,367</u>	<u>19,731,509</u>	<u>341,142</u>

(continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 20,775	\$ 39,541	\$ 39,534	\$ 7
Operating expenditures	70,147	100,023	86,593	13,430
Special appropriations	200,595	358,895	358,895	-
Total governing body	<u>291,517</u>	<u>498,459</u>	<u>485,022</u>	<u>13,437</u>
Administration:				
Salaries and employee benefits	570,054	586,904	556,692	30,212
Operating expenditures	165,134	503,334	498,724	4,610
Health and wellness allocation	164,301	164,301	164,443	(142)
Total administration	<u>899,489</u>	<u>1,254,539</u>	<u>1,219,859</u>	<u>34,680</u>
Finance:				
Salaries and employee benefits	313,187	346,502	346,498	4
Operating expenditures	267,987	184,521	167,667	16,854
Total finance	<u>581,174</u>	<u>531,023</u>	<u>514,165</u>	<u>16,858</u>
City engineer:				
Salaries and employee benefits	276,383	287,419	235,806	51,613
Operating expenditures	42,632	63,730	52,591	11,139
Total city engineer	<u>319,015</u>	<u>351,149</u>	<u>288,397</u>	<u>62,752</u>
Information technology:				
Salaries and employee benefits	22,639	23,149	12,433	10,716
Operating expenditures	635,154	696,499	603,047	93,452
Total information technology	<u>657,793</u>	<u>719,648</u>	<u>615,480</u>	<u>104,168</u>
Legal department:				
Salaries and employee benefits	121,415	137,465	137,429	36
Operating expenditures	27,776	28,371	19,086	9,285
Total legal department	<u>149,191</u>	<u>165,836</u>	<u>156,515</u>	<u>9,321</u>
Fleet maintenance:				
Salaries and employee benefits	289,251	300,897	300,783	114
Operating expenditures	178,915	157,315	83,672	73,643
Capital outlay	75,000	90,000	85,352	4,648
Total fleet maintenance	<u>543,166</u>	<u>548,212</u>	<u>469,807</u>	<u>78,405</u>
Building maintenance:				
Salaries and employee benefits	218,572	275,164	156,513	118,651
Operating expenditures	432,968	328,917	298,290	30,627
Capital outlay	92,000	27,204	26,552	652
Total building maintenance	<u>743,540</u>	<u>631,285</u>	<u>481,355</u>	<u>149,930</u>
Total general government	<u>4,184,885</u>	<u>4,700,151</u>	<u>4,230,600</u>	<u>469,551</u>
Public safety:				
Police:				
Salaries and employee benefits	5,028,804	5,400,241	4,867,870	532,371
Operating expenditures	692,726	919,858	915,891	3,967
Capital outlay	530,250	494,161	492,699	1,462
Total police	<u>6,251,780</u>	<u>6,814,260</u>	<u>6,276,460</u>	<u>537,800</u>

(continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Public safety (Continued):				
Fire:				
Salaries and employee benefits	\$ 3,552,953	\$ 3,177,446	\$ 3,176,970	\$ 476
Operating expenditures	692,818	721,834	642,730	79,104
Capital outlay	161,000	130,000	11,817	118,183
On-behalf payments (Firefighter's Relief Fund)	-	-	78,708	(78,708)
Total fire	<u>4,406,771</u>	<u>4,029,280</u>	<u>3,910,225</u>	<u>119,055</u>
Development assistance:				
Salaries and employee benefits	527,473	538,423	528,713	9,710
Operating expenditures	304,767	304,767	107,540	197,227
Total development assistance	<u>832,240</u>	<u>843,190</u>	<u>636,253</u>	<u>206,937</u>
Total public safety	<u>11,490,791</u>	<u>11,686,730</u>	<u>10,822,938</u>	<u>863,792</u>
Transportation:				
Public works administration:				
Salaries and employee benefits	370,955	470,338	352,882	117,456
Operating expenditures	117,121	95,121	88,767	6,354
Total public works administration	<u>488,076</u>	<u>565,459</u>	<u>441,649</u>	<u>123,810</u>
Streets and highways				
Salaries and employee benefits	386,058	466,198	466,192	6
Operating expenditures	308,079	361,394	304,170	57,224
Capital outlay	80,000	88,772	83,515	5,257
Total streets and highways	<u>774,137</u>	<u>916,364</u>	<u>853,877</u>	<u>62,487</u>
State Street Aid allocation:				
Operating expenditures	<u>580,000</u>	<u>467,860</u>	<u>314,014</u>	<u>153,846</u>
Traffic engineering:				
Salaries and employee benefits	204,201	251,331	250,836	495
Operating expenditures	282,741	233,968	100,307	133,661
Capital outlay	222,000	115,890	53,798	62,092
Total traffic engineering	<u>708,942</u>	<u>601,189</u>	<u>404,941</u>	<u>196,248</u>
Total transportation	<u>2,551,155</u>	<u>2,550,872</u>	<u>2,014,481</u>	<u>536,391</u>
Culture and recreation:				
Grounds maintenance:				
Salaries and employee benefits	430,492	467,914	460,105	7,809
Operating expenditures	102,144	168,262	161,051	7,211
Capital outlay	60,000	29,437	29,187	250
Total grounds maintenance	<u>592,636</u>	<u>665,613</u>	<u>650,343</u>	<u>15,270</u>
Patton Park pool:				
Operating expenditures	123,310	99,710	95,217	4,493
Capital outlay	38,000	38,000	20,902	17,098
Total Patton Park pool	<u>161,310</u>	<u>137,710</u>	<u>116,119</u>	<u>21,591</u>
Total culture and recreation	<u>753,946</u>	<u>803,323</u>	<u>766,462</u>	<u>36,861</u>

(continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Debt service:				
Principal	\$ 1,116,049	\$ 1,116,049	\$ 1,080,667	\$ 35,382
Interest and fiscal charges	441,517	459,817	365,876	93,941
Total debt service	<u>1,557,566</u>	<u>1,575,866</u>	<u>1,446,543</u>	<u>129,323</u>
Total expenditures	<u>20,538,343</u>	<u>21,316,942</u>	<u>19,281,024</u>	<u>2,035,918</u>
Excess (deficiency) of revenues over (under) expenditures:	<u>(2,069,744)</u>	<u>(1,926,575)</u>	<u>450,485</u>	<u>2,377,060</u>
Other financing sources (uses):				
Sale of capital assets	10,000	45,080	45,080	-
Issuance of long-term debt	798,000	798,000	609,956	(188,044)
Appropriation of fund balance	1,261,744	3,085,535	-	(3,085,535)
Operating transfers out to other funds	-	(2,002,040)	(978,586)	1,023,454
Total other financing sources (uses)	<u>2,069,744</u>	<u>1,926,575</u>	<u>(323,550)</u>	<u>(2,250,125)</u>
Net change in fund balances	-	-	126,935	126,935
Fund balances, beginning of year	<u>9,636,447</u>	<u>9,636,447</u>	<u>9,636,447</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,636,447</u>	<u>\$ 9,636,447</u>	<u>\$ 9,763,382</u>	<u>\$ 126,935</u>

GOVERNMENTAL CAPITAL PROJECTS FUND

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
GOVERNMENTAL CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE TO JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grant revenue - NCDOT	\$ 832,000	\$ 163,114	\$ -	\$ 163,114
Local contributions	2,814,520	325,000	250,000	575,000
Investment earnings	-	12,016	1,069	13,085
Total revenues	<u>3,646,520</u>	<u>500,130</u>	<u>251,069</u>	<u>751,199</u>
Expenditures:				
Current:				
General government				
Other operating expenditures	1,108,120	745,061	13,629	758,690
Capital outlay	34,271,820	17,039,189	3,172,412	20,211,601
Debt service:				
Principal retirements	13,499,000	-	13,499,000	13,499,000
Debt issuance costs	163,451	36,933	41,517	78,450
Total expenditures	<u>49,042,391</u>	<u>17,821,183</u>	<u>16,726,558</u>	<u>34,547,741</u>
Deficiency of revenues under expenditures	<u>(45,395,871)</u>	<u>(17,321,053)</u>	<u>(16,475,489)</u>	<u>(33,796,542)</u>
Other financing sources (uses):				
Transfers in	4,482,883	1,831,491	2,607,818	4,439,309
Transfers out	-	(72,000)	-	(72,000)
Issuance of long-term obligations	40,912,988	14,768,161	14,920,000	29,688,161
Premiums on issuance of long-term debt	-	-	648,631	648,631
Total other financing sources	<u>45,395,871</u>	<u>16,527,652</u>	<u>18,176,449</u>	<u>34,704,101</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ (793,401)</u>	1,700,960	<u>\$ 907,559</u>
Fund balances, beginning of year			(793,401)	
Fund balances, end of year			<u>\$ 907,559</u>	

COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	Grants Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,461	\$ 4,461
Investments	106,896	107,446	-	-	214,342
Receivables, net:					
Taxes	14,965	1,213	-	-	16,178
Grants	-	-	-	199,682	199,682
Shared taxes	74,794	21,684	-	-	96,478
Accrued interest	107	69	-	-	176
Prepaid items	150	-	-	-	150
Restricted cash and cash equivalents	27,594	27,736	158,036	4,055,192	4,268,558
Notes receivable	-	-	-	537,500	537,500
Total assets	224,506	158,148	158,036	4,796,835	5,337,525
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	4,227	500	2,068	4,800	11,595
Accrued salaries and benefits	10,365	3,108	-	45,764	59,237
Unearned revenue	2,359	-	-	2,255,900	2,258,259
Due to other funds	-	-	-	199,682	199,682
Total liabilities	16,951	3,608	2,068	2,506,146	2,528,773
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	13,796	1,213	-	-	15,009
Unavailable revenue - grants	-	-	-	906	906
Total deferred inflows of resources	13,796	1,213	-	906	15,915
FUND BALANCES					
Nonspendable:					
Prepaid items	150	-	-	-	150
Restricted for:					
Economic development	193,609	153,327	-	-	346,936
Public safety	-	-	155,968	544,583	700,551
Human services	-	-	-	1,500,000	1,500,000
Parks	-	-	-	245,200	245,200
Total fund balances	193,759	153,327	155,968	2,289,783	2,792,837
Total liabilities, deferred inflows of resources and fund balances	\$ 224,506	\$ 158,148	\$ 158,036	\$ 4,796,835	\$ 5,337,525

CITY OF HENDERSONVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	Grants Fund	
Revenues:					
Ad valorem taxes	\$ 286,230	\$ 37,872	\$ -	\$ -	\$ 324,102
Unrestricted intergovernmental	261,809	52,362	-	-	314,171
Restricted intergovernmental	-	-	2,011	2,378,898	2,380,909
Special events income	28,030	-	-	-	28,030
Investment income (loss)	(1,748)	(962)	-	3,699	989
Miscellaneous	360	5,000	28,790	-	34,150
Total revenues	<u>574,681</u>	<u>94,272</u>	<u>30,801</u>	<u>2,382,597</u>	<u>3,082,351</u>
Expenditures:					
Current:					
Public safety	-	-	21,477	982,197	1,003,674
Economic and physical development	532,110	73,660	-	4,401	610,171
Debt service:					
Principal	36,406	-	-	-	36,406
Interest	18,229	-	-	-	18,229
Total expenditures	<u>586,745</u>	<u>73,660</u>	<u>21,477</u>	<u>986,598</u>	<u>1,668,480</u>
Excess (deficiency) of revenues over (under) expenditures	(12,064)	20,612	9,324	1,395,999	1,413,871
Other financing sources:					
Transfers in	-	-	-	481,340	481,340
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,340</u>	<u>481,340</u>
Net change in fund balances	(12,064)	20,612	9,324	1,877,339	1,895,211
Fund balances, beginning of year	<u>205,823</u>	<u>132,715</u>	<u>146,644</u>	<u>412,444</u>	<u>897,626</u>
Fund balances, end of year	<u>\$ 193,759</u>	<u>\$ 153,327</u>	<u>\$ 155,968</u>	<u>\$ 2,289,783</u>	<u>\$ 2,792,837</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Final Budget
	Original	Final		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 276,250	\$ 284,816	\$ 285,739	\$ 923
Penalties and interest	500	500	491	(9)
Sales and use taxes	225,000	235,000	261,809	26,809
Special events income	250	13,795	28,030	14,235
Investment earnings (loss)	1,000	1,000	(1,748)	(2,748)
Miscellaneous	-	-	360	360
Total revenues	<u>503,000</u>	<u>535,111</u>	<u>574,681</u>	<u>39,570</u>
Expenditures:				
Current:				
Economic and physical development				
Salaries and employee benefits	183,794	200,498	200,435	63
Other operating expenditures	291,570	348,848	328,884	19,964
Special events costs	-	-	2,791	(2,791)
Debt service:				
Principal	36,406	36,406	36,406	-
Interest	10,596	18,396	18,229	167
Total expenditures	<u>522,366</u>	<u>604,148</u>	<u>586,745</u>	<u>17,403</u>
(Deficiency) of revenues (under) expenditures	(19,366)	(69,037)	(12,064)	56,973
Other financing sources:				
Appropriation of fund balance	19,366	69,037	-	(69,037)
Total other financing sources	<u>19,366</u>	<u>69,037</u>	<u>-</u>	<u>(69,037)</u>
Net changes in fund balances	-	-	(12,064)	(12,064)
Fund balances, beginning of year	<u>205,823</u>	<u>205,823</u>	<u>205,823</u>	<u>-</u>
Fund balances, end of year	<u>\$ 205,823</u>	<u>\$ 205,823</u>	<u>\$ 193,759</u>	<u>\$ (12,064)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Final Budget
	Original	Final		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 34,775	\$ 35,658	\$ 37,741	\$ 2,083
Penalties and interest	100	100	131	31
Sales and use taxes	43,500	48,250	52,362	4,112
Investment earnings (loss)	1,000	1,000	(962)	(1,962)
Miscellaneous	5,000	5,000	5,000	-
Total revenues	<u>84,375</u>	<u>90,008</u>	<u>94,272</u>	<u>4,264</u>
Expenditures:				
Current:				
Economic and physical development				
Salaries and employee benefits	53,732	58,942	59,407	(465)
Other operating expenditures	47,250	53,456	14,253	39,203
Total expenditures	<u>100,982</u>	<u>112,398</u>	<u>73,660</u>	<u>38,738</u>
Excess (deficiency) of revenues over (under) expenditures	(16,607)	(22,390)	20,612	43,002
Other financing sources:				
Appropriation of fund balance	16,607	22,390	-	(22,390)
Total other financing sources	<u>16,607</u>	<u>22,390</u>	<u>-</u>	<u>(22,390)</u>
Net changes in fund balances	-	-	20,612	20,612
Fund balances, beginning of year	<u>132,715</u>	<u>132,715</u>	<u>132,715</u>	<u>-</u>
Fund balances, end of year	<u>\$ 132,715</u>	<u>\$ 132,715</u>	<u>\$ 153,327</u>	<u>\$ 20,612</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Final Budget
	Original	Final		
Revenues:				
Restricted intergovernmental	\$ 10,000	\$ 10,000	\$ 2,011	\$ (7,989)
Miscellaneous	11,000	11,000	28,790	17,790
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>30,801</u>	<u>9,801</u>
Expenditures:				
Current:				
Culture and recreation				
Operating expenditures	-	1,000	-	1,000
Public safety				
Operating expenditures	65,500	60,100	21,477	38,623
Total expenditures	<u>65,500</u>	<u>61,100</u>	<u>21,477</u>	<u>39,623</u>
Excess (deficiency) of revenues over (under) expenditures	(44,500)	(40,100)	9,324	49,424
Other financing sources (uses):				
Appropriation of fund balance	44,500	49,700	-	(49,700)
Transfers out	-	(9,600)	-	9,600
Total other financing sources	<u>44,500</u>	<u>40,100</u>	<u>-</u>	<u>(40,100)</u>
Net changes in fund balances	-	-	9,324	9,324
Fund balances, beginning of year	<u>146,644</u>	<u>146,644</u>	<u>146,644</u>	<u>-</u>
Fund balances, end of year	<u>\$ 146,644</u>	<u>\$ 146,644</u>	<u>\$ 155,968</u>	<u>\$ 9,324</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

GRANTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE TO JUNE 30, 2022**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Grant revenue - CDBG	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Grant revenue - DOJ	59,479	34,993	5,969	40,962
Grant revenue - FEMA	1,551,616	910,632	472,341	1,382,973
Grant revenue - NCDENR	588,869	416,002	104,999	521,001
Grant revenue - NCSIF	250,000	-	250,000	250,000
Other restricted intergovernmental	10,000	41,294	1,545,589	1,586,883
Miscellaneous	40,000	39,945	-	39,945
Interest earnings	-	5,550	3,699	9,249
Total revenues	<u>2,999,964</u>	<u>1,948,416</u>	<u>2,382,597</u>	<u>4,331,013</u>
Expenditures:				
Current:				
Police department				
Other operating expenditures	134,479	56,700	23,715	80,415
Fire department				
Salaries and employee benefits	2,094,616	1,352,962	953,682	2,306,644
Contingencies	4,000	-	-	-
Environmental protection				
Other operating expenditures	584,869	522,540	-	522,540
Economic and physical development				
Other operating expenditures	575,112	334,903	4,401	339,304
Capital outlay	250,000	288,537	4,800	293,337
Total expenditures	<u>3,643,076</u>	<u>2,555,642</u>	<u>986,598</u>	<u>3,542,240</u>
Excess (deficiency) of revenues over (under) expenditures	(643,112)	(607,226)	1,395,999	788,773
Other financing sources (uses):				
Transfers in	1,108,187	1,021,195	481,340	1,502,535
Transfers out	(530,075)	(1,525)	-	(1,525)
Appropriation of fund balance	65,000	-	-	-
Total other financing sources	<u>643,112</u>	<u>1,019,670</u>	<u>481,340</u>	<u>1,501,010</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 412,444</u>	1,877,339	<u>\$ 2,289,783</u>
Fund balances, beginning of year			<u>412,444</u>	
Fund balances, end of year			<u>\$ 2,289,783</u>	

NONMAJOR ENTERPRISE FUNDS

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2022**

	Nonmajor Enterprise Funds		
	Environmental		
	Services	Stormwater	Total
	Fund	Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (19,979)	\$ 35,747	\$ 15,768
Investments	-	46,025	46,025
Receivables, net:			
Accounts	244,537	143,645	388,182
Grants	2,811	-	2,811
Loan proceeds	243,313	-	243,313
Accrued interest	39	167	206
Total current assets	<u>470,721</u>	<u>225,584</u>	<u>696,305</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	11,134	246,249	257,383
Depreciable, net of accumulated depreciation	550,452	663,839	1,214,291
Total capital assets, net	<u>561,586</u>	<u>910,088</u>	<u>1,471,674</u>
Total assets	<u>1,032,307</u>	<u>1,135,672</u>	<u>2,167,979</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	191,164	103,797	294,961
OPEB related items	52,282	28,411	80,693
Total deferred outflows of resources	<u>243,446</u>	<u>132,208</u>	<u>375,654</u>
LIABILITIES			
Current liabilities:			
Accounts payable	31,278	26,908	58,186
Accrued salaries and benefits	53,104	29,216	82,320
Accrued interest payable	2,732	432	3,164
Compensated absences, current	45,328	15,874	61,202
Current portion of long-term debt	84,771	45,358	130,129
Total current liabilities	<u>217,213</u>	<u>117,788</u>	<u>335,001</u>
Long-term liabilities:			
Compensated absences, less current portion	26,680	15,874	42,554
Long-term debt, less current portion	460,149	185,568	645,717
Net pension liability	123,360	66,981	190,341
Total OPEB liability	179,222	97,393	276,615
Total long-term liabilities	<u>789,411</u>	<u>365,816</u>	<u>1,155,227</u>
Total liabilities	<u>1,006,624</u>	<u>483,604</u>	<u>1,490,228</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	185,281	100,603	285,884
OPEB related items	6,474	3,518	9,992
Total deferred inflows of resources	<u>191,755</u>	<u>104,121</u>	<u>295,876</u>
NET POSITION			
Net investment in capital assets	16,666	679,162	695,828
Unrestricted	60,708	993	61,701
Total net position	<u>\$ 77,374</u>	<u>\$ 680,155</u>	<u>\$ 757,529</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Nonmajor Enterprise Funds		Total
	Environmental Services Fund	Stormwater Fund	
OPERATING REVENUES			
Charges for services	\$ 1,508,967	\$ 998,963	\$ 2,507,930
Total operating revenues	<u>1,508,967</u>	<u>998,963</u>	<u>2,507,930</u>
OPERATING EXPENSES			
Waste collection and treatment	1,561,447	-	1,561,447
Stormwater	-	1,303,674	1,303,674
Depreciation	141,605	43,159	184,764
Total operating expenses	<u>1,703,052</u>	<u>1,346,833</u>	<u>3,049,885</u>
Operating loss	<u>(194,085)</u>	<u>(347,870)</u>	<u>(541,955)</u>
NONOPERATING REVENUE (EXPENSES)			
Investment earnings (loss)	(573)	(2,199)	(2,772)
Intergovernmental revenue	12,150	-	12,150
Other nonoperating revenue	932	-	932
Interest expense	(6,964)	(5,993)	(12,957)
Total nonoperating revenues (expenses), net	<u>5,545</u>	<u>(8,192)</u>	<u>(2,647)</u>
Change in net position before capital contributions	(188,540)	(356,062)	(544,602)
Capital contributions	-	135,990	135,990
Change in net position	(188,540)	(220,072)	(408,612)
NET POSITION, beginning of year	<u>265,914</u>	<u>900,227</u>	<u>1,166,141</u>
NET POSITION, end of year	<u>\$ 77,374</u>	<u>\$ 680,155</u>	<u>\$ 757,529</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Nonmajor Enterprise Funds		
	Environmental		
	Services Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,497,508	\$ 956,653	\$ 2,454,161
Payments to suppliers and service providers	(509,385)	(598,582)	(1,107,967)
Payments to employees	(1,052,642)	(516,531)	(1,569,173)
Net cash used in operating activities	<u>(64,519)</u>	<u>(158,460)</u>	<u>(222,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments	91,281	178,864	270,145
Net cash provided by investing activities	<u>91,281</u>	<u>178,864</u>	<u>270,145</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(124,350)	(41,450)	(165,800)
Principal payments on long-term debt	(66,630)	(38,964)	(105,594)
Interest payments on long-term debt	(4,341)	(5,614)	(9,955)
Proceeds from issuance of long-term debt	124,350	41,450	165,800
Net cash used in capital and related financing activities	<u>(70,971)</u>	<u>(44,578)</u>	<u>(115,549)</u>
Net decrease in cash and cash equivalents	(44,209)	(24,174)	(68,383)
Cash and cash equivalents:			
Beginning of year	24,230	59,921	84,151
End of year	<u>\$ (19,979)</u>	<u>\$ 35,747</u>	<u>\$ 15,768</u>
Classified as:			
Cash and cash equivalents	\$ (19,979)	\$ 35,747	\$ 15,768
Total	<u>\$ (19,979)</u>	<u>\$ 35,747</u>	<u>\$ 15,768</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (194,085)	\$ (347,870)	\$ (541,955)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	141,605	43,159	184,764
Increase in customer accounts receivable	(11,459)	(42,310)	(53,769)
Increase (decrease) in accounts payable	(54,941)	2,373	(52,568)
Increase in accrued salaries and benefits	26,008	24,623	50,631
Increase in compensated absences payable	27,132	25,278	52,410
Increase (decrease) in net pension liability and related deferrals	(8,791)	63,787	54,996
Increase in total OPEB liability and related deferrals	10,012	72,500	82,512
Net cash provided by (used in) operating activities	<u>\$ (64,519)</u>	<u>\$ (158,460)</u>	<u>\$ (222,979)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Donations of capital assets	\$ -	\$ 135,990	\$ 135,990

BUDGETARY COMPARISON SCHEDULES (NON-GAAP)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Revenues:				
Operating revenues:				
Charges for services				
Water sales	\$ 13,002,000	\$ 13,566,263	\$ 13,448,495	\$ (117,768)
Sewer charges	6,235,000	6,134,425	6,206,244	71,819
Water and sewer taps	367,325	394,375	405,005	10,630
Miscellaneous revenues	396,400	555,045	622,082	67,037
Total operating revenues	<u>20,000,725</u>	<u>20,650,108</u>	<u>20,681,826</u>	<u>31,718</u>
Nonoperating revenues:				
Investment income (loss)	8,000	8,000	(27,351)	(35,351)
Miscellaneous	-	-	1,290	1,290
Total nonoperating revenues	<u>8,000</u>	<u>8,000</u>	<u>(26,061)</u>	<u>(34,061)</u>
 Total revenues	 <u>20,008,725</u>	 <u>20,658,108</u>	 <u>20,655,765</u>	 <u>(2,343)</u>
Expenditures:				
Information technology:				
Salaries and employee benefits	313,587	319,669	237,148	82,521
Contracted services	195,000	204,000	277,266	(73,266)
Supplies	12,500	12,500	11,487	1,013
Other departmental expenditures	487,088	547,547	495,150	52,397
Total information technology	<u>1,008,175</u>	<u>1,083,716</u>	<u>1,021,051</u>	<u>62,665</u>
Fleet maintenance:				
Salaries and employee benefits	171,819	182,608	182,220	388
Contracted services	14,536	10,536	-	10,536
Other departmental expenditures	793	6,793	6,792	1
Total fleet maintenance	<u>187,148</u>	<u>199,937</u>	<u>189,012</u>	<u>10,925</u>
Administration:				
Salaries and employee benefits	1,288,691	1,452,612	1,454,887	(2,275)
Contracted services	97,000	193,960	135,029	58,931
Supplies	15,700	16,250	22,130	(5,880)
Repairs and maintenance	10,000	10,000	5,138	4,862
Capital outlay	140,000	140,000	69,477	70,523
Health and wellness allocation	104,614	104,614	102,219	2,395
Other departmental expenditures	483,840	1,070,680	989,323	81,357
Total administration	<u>2,139,845</u>	<u>2,988,116</u>	<u>2,778,203</u>	<u>209,913</u>
Finance:				
Salaries and employee benefits	954,349	1,044,299	1,044,325	(26)
Contracted services	260,800	260,800	224,360	36,440
Supplies	6,500	6,500	5,155	1,345
Other departmental expenditures	181,240	181,990	144,478	37,512
Total finance	<u>1,402,889</u>	<u>1,493,589</u>	<u>1,418,318</u>	<u>75,271</u>
Engineering:				
Salaries and employee benefits	931,157	956,249	812,742	143,507
Contracted services	55,000	46,000	38,310	7,690
Capital outlay	-	28,400	18,374	10,026
Other departmental expenditures	70,847	61,447	55,211	6,236
Total engineering	<u>1,057,004</u>	<u>1,092,096</u>	<u>924,637</u>	<u>167,459</u>
Facilities maintenance:				
Salaries and employee benefits	729,757	930,337	930,101	236
Contracted services	144,000	120,550	105,168	15,382
Supplies	58,000	58,000	93,482	(35,482)
Repairs and maintenance	217,000	194,100	158,676	35,424
Capital outlay	450,000	353,200	276,283	76,917
Other departmental expenditures	335,035	90,385	73,796	16,589
Total facilities maintenance	<u>1,933,792</u>	<u>1,746,572</u>	<u>1,637,506</u>	<u>109,066</u>

continued

CITY OF HENDERSONVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Expenditures (Continued):				
Water treatment plant:				
Salaries and employee benefits	\$ 857,715	\$ 932,901	\$ 932,617	\$ 284
Contracted services	162,700	103,700	65,286	38,414
Utilities	276,750	4,500	4,659	(159)
Chemicals	485,000	486,100	456,052	30,048
Supplies	84,225	84,225	65,355	18,870
Repairs and maintenance	128,500	90,250	60,317	29,933
Capital outlay	111,000	57,225	32,660	24,565
Other departmental expenditures	205,397	240,477	222,199	18,278
Total water treatment plant	<u>2,311,287</u>	<u>1,999,378</u>	<u>1,839,145</u>	<u>160,233</u>
Operations support:				
Salaries and employee benefits	719,073	861,178	860,846	332
Supplies	39,500	47,000	10,707	36,293
Repairs and maintenance	13,500	13,500	10,954	2,546
Other departmental expenditures	64,509	90,909	72,788	18,121
Total operations support	<u>836,582</u>	<u>1,012,587</u>	<u>955,295</u>	<u>57,292</u>
Water distribution:				
Salaries and employee benefits	1,558,051	1,585,424	1,575,127	10,297
Contracted services	171,000	161,500	79,749	81,751
Supplies	140,000	135,000	133,238	1,762
Repairs and maintenance	355,000	544,000	584,566	(40,566)
Capital outlay	152,000	395,950	395,472	478
Other departmental expenditures	147,254	157,409	167,109	(9,700)
Total water distribution	<u>2,523,305</u>	<u>2,979,283</u>	<u>2,935,261</u>	<u>44,022</u>
Wastewater treatment plant:				
Salaries and employee benefits	773,527	764,458	691,327	73,131
Contracted services	52,225	52,595	49,804	2,791
Sludge management	257,000	567,100	539,730	27,370
Utilities	315,000	3,000	1,801	1,199
Supplies	64,600	64,680	68,445	(3,765)
Repairs and maintenance	218,500	210,460	153,413	57,047
Other departmental expenditures	63,233	61,483	62,335	(852)
Total wastewater treatment plant	<u>1,744,085</u>	<u>1,723,776</u>	<u>1,566,855</u>	<u>156,921</u>
Wastewater collection:				
Salaries and employee benefits	760,876	798,524	746,223	52,301
Contracted services	305,000	305,000	115,940	189,060
Supplies	100,000	97,000	105,597	(8,597)
Repairs and maintenance	242,700	174,700	170,990	3,710
Capital outlay	400,000	69,000	12,256	56,744
Other departmental expenditures	129,818	101,093	93,251	7,842
Total wastewater collection	<u>1,938,394</u>	<u>1,545,317</u>	<u>1,244,257</u>	<u>301,060</u>
Debt service:				
Principal	2,795,650	2,795,650	2,788,722	6,928
Interest and fiscal charges	416,520	468,520	473,227	(4,707)
Total debt service	<u>3,212,170</u>	<u>3,264,170</u>	<u>3,261,949</u>	<u>2,221</u>
Total expenditures	<u>20,294,676</u>	<u>21,128,537</u>	<u>19,771,489</u>	<u>1,357,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,951)</u>	<u>(470,429)</u>	<u>884,276</u>	<u>1,354,705</u>

continued

CITY OF HENDERSONVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Other Financing Sources (Uses):				
Transfers out	\$ (100,000)	\$ (363,158)	\$ (738,158)	\$ (375,000)
Proceeds from the sale of capital assets	-	134,300	134,000	(300)
Appropriation of net position	385,951	699,287	-	(699,287)
Total other financing sources (uses)	<u>285,951</u>	<u>470,429</u>	<u>(604,158)</u>	<u>(1,074,587)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	280,118	<u>\$ 280,118</u>
Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:				
Principal payments on long-term debt			2,788,722	
Change in accrued interest payable			(6,388)	
Capital outlay			784,580	
Donated capital assets			2,797,404	
Depreciation expense			(3,789,761)	
Net book value of capital asset disposals			(107,659)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			116,901	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(129,571)	
Change in compensated absences			(228,120)	
Change in net position - Water and Sewer Capital Reserve Fund			<u>100,000</u>	
Change in net position (GAAP basis) - Water and Sewer Fund			<u>\$ 2,606,226</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

**PARKING SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Revenues:				
Operating revenues:				
Charges for services				
Monthly parking	\$ 52,500	\$ 52,500	\$ 43,264	\$ (9,236)
Parking meters	130,000	130,000	158,887	28,887
Special permits	1,500	1,500	7,775	6,275
Parking violations and penalties	22,500	22,500	26,340	3,840
Total revenues	<u>206,500</u>	<u>206,500</u>	<u>236,266</u>	<u>29,766</u>
Expenditures:				
Parking services:				
Contracted services	239,617	239,617	-	239,617
Other departmental expenditures	465,000	465,000	40,948	424,052
Total stormwater	<u>704,617</u>	<u>704,617</u>	<u>40,948</u>	<u>663,669</u>
Debt service:				
Interest and fiscal charges	251,883	251,883	251,882	1
Total debt service	<u>251,883</u>	<u>251,883</u>	<u>251,882</u>	<u>1</u>
Total expenditures	<u>956,500</u>	<u>956,500</u>	<u>292,830</u>	<u>663,670</u>
Deficiency of revenues under expenditures	(750,000)	(750,000)	(56,564)	693,436
Other Financing Sources:				
Transfers in	750,000	750,000	350,000	(400,000)
Total other financing sources	<u>750,000</u>	<u>750,000</u>	<u>350,000</u>	<u>(400,000)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	293,436	<u>\$ 293,436</u>
Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:				
Change in accrued interest payable			(45,062)	
Change in net position - Parking Services Capital Projects Fund			6,700,065	
Issuance of limited obligation bonds			(10,965,000)	
Premium on bonds sold			(1,783,343)	
Amortization of bond premiums			96,292	
Purchases of capital assets			3,378,903	
Capital assets transferred from governmental activities			2,460,572	
Change in net position (GAAP basis) - Parking Services Fund			<u>\$ 135,863</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Revenues:				
Operating revenues:				
Charges for services				
Residential	\$ 1,330,000	\$ 1,330,000	\$ 1,300,946	\$ (29,054)
Commercial	160,000	160,000	208,021	48,021
Total operating revenues	<u>1,490,000</u>	<u>1,490,000</u>	<u>1,508,967</u>	<u>18,967</u>
Nonoperating revenues:				
Recycling revenue	-	-	12,150	12,150
Investment income (loss)	300	300	(573)	(873)
Miscellaneous	1,800	1,800	932	(868)
Total nonoperating revenues	<u>2,100</u>	<u>2,100</u>	<u>12,509</u>	<u>10,409</u>
Total revenues	<u>1,492,100</u>	<u>1,492,100</u>	<u>1,521,476</u>	<u>29,376</u>
Expenditures:				
Waste collection and treatment:				
Salaries and employee benefits	918,746	1,063,020	1,062,823	197
Landfill tipping fees	220,000	220,000	211,933	8,067
Contracted services	93,484	93,404	47,939	45,465
Repairs and maintenance	70,000	66,800	70,539	(3,739)
Health and wellness allocation	13,544	13,544	15,827	(2,283)
Other departmental expenditures	123,064	123,864	124,033	(169)
Total waste collection and treatment	<u>1,438,838</u>	<u>1,580,632</u>	<u>1,533,094</u>	<u>47,538</u>
Debt service:				
Principal	69,657	69,657	66,630	3,027
Interest and fiscal charges	4,486	4,486	4,341	145
Total debt service	<u>74,143</u>	<u>74,143</u>	<u>70,971</u>	<u>3,172</u>
Capital outlay	<u>380,000</u>	<u>353,000</u>	<u>124,350</u>	<u>228,650</u>
Total expenditures	<u>1,892,981</u>	<u>2,007,775</u>	<u>1,728,415</u>	<u>279,360</u>
Deficiency of revenues under expenditures	(400,881)	(515,675)	(206,939)	308,736
Other Financing Sources:				
Issuance of long-term debt	380,000	380,000	367,663	(12,337)
Transfers in	-	114,794	-	(114,794)
Appropriation of net position	20,881	20,881	-	(20,881)
Total other financing sources	<u>400,881</u>	<u>515,675</u>	<u>367,663</u>	<u>(148,012)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>160,724</u>	<u>\$ 160,724</u>
Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:				
Principal payments on long-term debt			66,630	
Issuance of long-term debt			(367,663)	
Change in accrued interest payable			(2,623)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			8,791	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(10,012)	
Change in compensated absences			(27,132)	
Purchases of capital assets			124,350	
Depreciation expense			(141,605)	
Change in net position (GAAP basis) - Environmental Services Fund			<u>\$ (188,540)</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

**STORMWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		
Revenues:				
Operating revenues:				
Charges for services				
Stormwater fees	\$ 1,271,040	\$ 1,271,240	\$ 998,963	\$ (272,277)
Total operating revenues	<u>1,271,040</u>	<u>1,271,240</u>	<u>998,963</u>	<u>(272,277)</u>
Nonoperating revenues:				
Investment income (loss)	50	50	(2,199)	(2,249)
Total nonoperating revenues	<u>50</u>	<u>50</u>	<u>(2,199)</u>	<u>(2,249)</u>
Total revenues	<u>1,271,090</u>	<u>1,271,290</u>	<u>996,764</u>	<u>(274,526)</u>
Expenditures:				
Stormwater:				
Salaries and employee benefits	512,687	547,048	541,154	5,894
Contracted services	251,500	566,057	567,339	(1,282)
Repairs and maintenance	180	230	177	53
Other departmental expenditures	46,962	46,965	28,580	18,385
Total stormwater	<u>811,329</u>	<u>1,160,300</u>	<u>1,137,250</u>	<u>23,050</u>
Debt service:				
Principal	36,755	39,055	38,964	91
Interest and fiscal charges	3,558	5,658	5,614	44
Total debt service	<u>40,313</u>	<u>44,713</u>	<u>44,578</u>	<u>135</u>
Capital outlay	<u>485,000</u>	<u>150,490</u>	<u>41,450</u>	<u>109,040</u>
Total expenditures	<u>1,336,642</u>	<u>1,355,503</u>	<u>1,223,278</u>	<u>132,225</u>
Deficiency of revenues under expenditures	(65,552)	(84,213)	(226,514)	(142,301)
Other Financing Sources (Uses):				
Issuance of long-term debt	40,000	40,000	41,450	1,450
Appropriation of net position	25,552	44,213	-	(44,213)
Transfers out	-	-	(25,000)	(25,000)
Total other financing sources	<u>65,552</u>	<u>84,213</u>	<u>16,450</u>	<u>(67,763)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(210,064)</u>	<u>\$ (210,064)</u>
Reconciliation from budgetary basis to change in net position per the proprietary funds statement of revenues, expenses, and changes in net position:				
Issuance of long-term debt			(41,450)	
Principal payments on long-term debt			38,964	
Change in accrued interest payable			(379)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(63,787)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(72,500)	
Change in compensated absences			(25,278)	
Purchases of capital assets			41,450	
Donated capital assets			135,990	
Depreciation expense			(43,159)	
Change in net position - Stormwater Capital Projects Fund			<u>20,141</u>	
Change in net position (GAAP basis) - Stormwater Fund			<u>\$ (220,072)</u>	

ENTERPRISE CAPITAL PROJECT FUNDS

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

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE TO JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grant revenue - CDBG	\$ 1,040,500	\$ 1,040,500	\$ -	\$ 1,040,500
Grant revenue - NCDEQ	150,000	150,000	-	150,000
Grant revenue - Golden Leaf	556,140	-	506,899	506,899
Reimbursements	374,600	374,675	-	374,675
Local contributions	300,000	-	300,000	300,000
Investment income (loss)	16,003	16,307	3,317	19,624
Total revenues	<u>2,437,243</u>	<u>1,581,482</u>	<u>810,216</u>	<u>2,391,698</u>
Expenditures:				
Capital outlay	75,746,659	26,142,277	7,948,808	34,091,085
Non-capital	1,697,132	695,059	127,235	822,294
Debt issuance costs	757,612	220,053	537,559	757,612
Total expenditures	<u>78,201,403</u>	<u>27,057,389</u>	<u>8,613,602</u>	<u>35,670,991</u>
Deficiency of revenues under expenditures	(75,764,160)	(25,475,907)	(7,803,386)	(33,279,293)
Other financing sources (uses):				
Transfers in	22,911,762	18,732,745	638,158	19,370,903
Transfers out	(8,100,544)	(2,666,435)	-	(2,666,435)
Issuance of long-term debt	60,952,942	13,084,303	10,776,277	23,860,580
Total other financing sources	<u>75,764,160</u>	<u>29,150,613</u>	<u>11,414,435</u>	<u>40,565,048</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,674,706</u>	<u>\$ 3,611,049</u>	<u>\$ 7,285,755</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE TO JUNE 30, 2022**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA
STORMWATER CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE TO JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grant revenue - EPA	\$ 100,000	\$ 91,278	\$ -	\$ 91,278
Grant revenue - NCLWF	24,620	-	-	-
Total revenues	<u>124,620</u>	<u>91,278</u>	<u>-</u>	<u>91,278</u>
Expenditures:				
Capital outlay	211,647	154,240	-	154,240
Non-capital	14,973	10,115	4,859	14,974
Total expenditures	<u>226,620</u>	<u>164,355</u>	<u>4,859</u>	<u>169,214</u>
Deficiency of revenues under expenditures	(102,000)	(73,077)	(4,859)	(77,936)
Other financing sources:				
Transfers in	102,000	72,000	25,000	97,000
Total other financing sources	<u>102,000</u>	<u>72,000</u>	<u>25,000</u>	<u>97,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,077)</u>	<u>\$ 20,141</u>	<u>\$ 19,064</u>

INTERNAL SERVICE FUND

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

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Final Budget
	Original	Final		
Revenues:				
Operating revenues:				
Charges for services	\$ 282,459	\$ 282,459	\$ 282,489	\$ 30
Miscellaneous	12,000	13,767	18,469	4,702
Total revenues	<u>294,459</u>	<u>296,226</u>	<u>300,958</u>	<u>4,732</u>
Expenditures:				
Current:				
Employee benefits	295,209	331,999	330,759	1,240
Total expenditures	<u>295,209</u>	<u>331,999</u>	<u>330,759</u>	<u>1,240</u>
Deficiency of revenues under expenditures	(750)	(35,773)	(29,801)	5,972
Other financing sources:				
Budgeted use of net position	750	35,773	-	(35,773)
Total other financing sources	<u>750</u>	<u>35,773</u>	<u>-</u>	<u>(35,773)</u>
Net changes in net position	-	-	(29,801)	(29,801)
Net position, beginning of year	<u>107,610</u>	<u>107,610</u>	<u>107,610</u>	<u>-</u>
Net position, end of year	<u>\$ 107,610</u>	<u>\$ 107,610</u>	<u>\$ 77,809</u>	<u>\$ (29,801)</u>

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND (CITY-WIDE)
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 2,246,656,364	0.52	\$ 11,682,613	\$ 10,795,695	\$ 886,918
Penalties	<u>(3,224,808)</u>		<u>(16,769)</u>	<u>(16,769)</u>	<u>-</u>
Total	<u>2,243,431,556</u>		<u>11,665,844</u>	<u>10,778,926</u>	<u>886,918</u>
Discoveries:					
Current year taxes	5,708,077	0.52	29,682	29,682	
Penalties	<u>1,080,577</u>		<u>5,619</u>	<u>5,619</u>	
			<u>35,301</u>	<u>35,301</u>	
Releases:					
Current year taxes	(25,752,885)	0.52	(133,915)	(133,915)	
Penalties	<u>(91,731)</u>		<u>(477)</u>	<u>(477)</u>	
			<u>(134,392)</u>	<u>(134,392)</u>	
Total property valuation	<u>\$ 2,224,375,594</u>				
Net levy			11,566,753	10,679,835	886,918
Uncollected taxes at June 30, 2022			<u>101,553</u>	<u>101,553</u>	<u>3,713</u>
Current year's taxes collected			<u>\$ 11,465,200</u>	<u>\$ 10,578,282</u>	<u>\$ 883,205</u>
Current levy collection percentage			<u>99.12%</u>	<u>99.05%</u>	<u>99.58%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
AS OF JUNE 30, 2022**

Fiscal year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 11,566,753	\$ 11,465,200	\$ 101,553
2020-2021	118,960	-	78,489	40,471
2019-2020	51,783	-	-	51,783
2018-2019	64,256	-	-	64,256
2017-2018	34,093	-	-	34,093
2016-2017	19,661	-	-	19,661
2015-2016	22,580	-	-	22,580
2014-2015	17,824	-	-	17,824
2013-2014	15,392	-	-	15,392
2012-2013	9,743	-	-	9,743
2011-2012	10,235	-	-	10,235
2010-2011	9,883	-	-	9,883
2009-2010	9,448	-	-	9,448
2008-2009	14,559	-	-	14,559
2007-2008	18,604	-	-	18,604
2006-2007	10,018	-	-	10,018
2005-2006	2,590	-	-	2,590
	<u>\$ 429,629</u>	<u>\$ 11,566,753</u>	<u>\$ 11,543,689</u>	452,693
				Less allowance for uncollectible ad valorem taxes receivable
				<u>210,200</u>
				Ad valorem taxes receivable, net
				<u>\$ 242,493</u>
				Reconciliation with revenues:
				Ad valorem taxes - General Fund
			\$ 11,548,067	
				Penalties collected on ad valorem taxes
			17,467	
				Reconciling items:
				Interest collected
			(21,845)	
				Discounts allowed
			-	
				Total collections and credits
			<u>\$ 11,543,689</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
MAIN STREET TAX DISTRICT
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 117,852,506	0.24	\$ 282,846	\$ 279,430	\$ 3,416
Penalties	420,000		1,008	1,008	-
Total	118,272,506		283,854	280,438	3,416
Discoveries:					
Current year taxes	270,417	0.24	649	649	
Penalties	102,917		247	247	
			896	896	
Releases:					
Current year taxes	(50,417)	0.24	(121)	(121)	
Penalties	-		-	-	
			(121)	(121)	
Total property valuation	<u>\$ 118,595,423</u>				
Net levy			284,629	281,213	3,416
Uncollected taxes at June 30, 2022			2,230	2,230	-
Current year's taxes collected			<u>\$ 282,399</u>	<u>\$ 278,983</u>	<u>\$ 3,416</u>
Current levy collection percentage			<u>99.22%</u>	<u>99.21%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
MAIN STREET TAX DISTRICT
AS OF JUNE 30, 2022**

Fiscal year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 284,629	\$ 282,399	\$ 2,230
2020-2021	4,017	-	4,017	-
2019-2020	3,663	-	-	3,663
2018-2019	4,862	-	-	4,862
2017-2018	3,530	-	-	3,530
2016-2017	1,321	-	-	1,321
2015-2016	620	-	-	620
2014-2015	464	-	-	464
2013-2014	995	-	-	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	735	-	-	735
2005-2006	246	-	-	246
	<u>\$ 23,319</u>	<u>\$ 284,629</u>	<u>\$ 286,416</u>	21,532
				Less allowance for uncollectible ad valorem taxes receivable
				<u>6,567</u>
				Ad valorem taxes receivable, net
				<u>\$ 14,965</u>
				Reconciliation with revenues:
				Ad valorem taxes - Main Street Tax District Fund
			\$ 286,230	
				Penalties collected on ad valorem taxes
			418	
				Reconciling items:
				Interest collected
			(232)	
				Discounts allowed
			-	
				Total collections and credits
			<u>\$ 286,416</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
SEVENTH AVENUE TAX DISTRICT
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 21,674,627	0.17	\$ 36,847	\$ 33,700	\$ 3,147
Penalties	<u>(29,412)</u>		<u>(50)</u>	<u>(50)</u>	<u>-</u>
Total	<u>21,645,215</u>		<u>36,797</u>	<u>33,650</u>	<u>3,147</u>
Discoveries:					
Current year taxes	67,059	0.17	114	114	
Penalties	<u>13,529</u>		<u>23</u>	<u>23</u>	
			<u>137</u>	<u>137</u>	
Releases:					
Current year taxes	(47,647)	0.17	(81)	(81)	
Penalties	<u>(4,706)</u>		<u>(8)</u>	<u>(8)</u>	
			<u>(89)</u>	<u>(89)</u>	
Total property valuation	<u>\$ 21,673,450</u>				
Net levy			36,845	33,698	3,147
Uncollected taxes at June 30, 2022			<u>457</u>	<u>457</u>	<u>26</u>
Current year's taxes collected			<u>\$ 36,388</u>	<u>\$ 33,241</u>	<u>\$ 3,121</u>
Current levy collection percentage			<u>98.76%</u>	<u>98.64%</u>	<u>99.17%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
SEVENTH AVENUE TAX DISTRICT
AS OF JUNE 30, 2022**

Fiscal year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 36,845	\$ 36,388	\$ 457
2020-2021	1,487	-	1,161	326
2019-2020	-	-	-	-
2018-2019	62	-	-	62
2017-2018	44	-	-	44
2016-2017	151	-	-	151
2015-2016	28	-	-	28
2014-2015	57	-	-	57
2013-2014	5	-	-	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>\$ 2,152</u>	<u>\$ 36,845</u>	<u>\$ 37,549</u>	<u>1,448</u>
				Less allowance for uncollectible ad valorem taxes receivable
				<u>235</u>
				Ad valorem taxes receivable, net
				<u>\$ 1,213</u>
				Reconciliation with revenues:
				Ad valorem taxes - Seventh Avenue Tax District Fund
			\$ 37,872	
				Penalties collected on ad valorem taxes
				117
				Reconciling items:
				Interest collected
				(440)
				Discounts allowed
				-
				Total collections and credits
			\$ 37,549	

STATISTICAL SECTION

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

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Financial Trends	113 - 118

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

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

Debt Capacity	123 - 126
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 17,077,486	\$ 17,860,656	\$ 16,304,268	\$ 18,615,092	\$ 19,614,200	\$ 19,926,250	\$ 21,020,174	\$ 20,335,763	\$ 21,035,571	\$ 19,891,169
Restricted	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753	7,139,251	6,802,743
Unrestricted	1,970,572	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633	1,110,510	982,519	(2,700,317)	(89,526)
Total governmental activities net position	\$ 24,910,553	\$ 24,505,775	\$ 24,037,536	\$ 26,948,761	\$ 26,631,012	\$ 25,862,352	\$ 25,416,559	\$ 25,058,035	\$ 25,474,505	\$ 26,604,386
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 51,168,791	\$ 54,082,358	\$ 52,399,169	\$ 50,835,364	\$ 51,388,724	\$ 56,252,393	\$ 63,008,624	\$ 68,316,330	\$ 67,043,265	\$ 71,004,372
Unrestricted	25,322,705	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513	13,368,475	10,189,499	12,545,384	10,917,754
Total business-type activities net position	\$ 76,491,496	\$ 78,534,867	\$ 78,429,785	\$ 76,606,414	\$ 74,120,467	\$ 74,983,906	\$ 76,377,099	\$ 78,505,829	\$ 79,588,649	\$ 81,922,126
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 68,246,277	\$ 71,943,014	\$ 68,703,437	\$ 69,450,456	\$ 71,002,924	\$ 76,178,643	\$ 84,028,798	\$ 88,652,093	\$ 88,078,836	\$ 90,895,541
Restricted	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753	7,139,251	6,802,743
Unrestricted	27,293,277	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146	14,478,985	11,172,018	9,845,067	10,828,228
Total primary government net position	\$ 101,402,049	\$ 103,040,642	\$ 102,467,321	\$ 103,555,175	\$ 100,751,479	\$ 100,846,258	\$ 101,793,658	\$ 103,563,864	\$ 105,063,154	\$ 108,526,512

From: Statement of Net Position

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EXPENSES										
Governmental activities:										
General Government	\$ 2,359,071	\$ 2,374,428	\$ 2,813,625	\$ 2,583,313	\$ 3,157,971	\$ 3,054,736	\$ 3,885,983	\$ 3,798,995	\$ 3,815,963	\$ 4,530,733
Public Safety	6,281,514	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808	9,043,813	10,317,127	11,300,514	12,476,303
Transportation	2,046,441	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903	2,559,392	2,966,740	3,042,198	2,601,447
Environmental Protection	596,425	626,450	484,528	21,508	139,054	240,541	95,522	15,898	910	-
Economic and Physical Development	311,086	455,811	428,450	520,035	564,691	721,195	521,007	560,800	467,382	622,665
Cultural and Recreational	200,928	215,403	537,955	968,892	1,010,569	960,189	864,375	913,075	848,292	809,652
Interest on Long-term Obligations	231,074	346,513	318,140	295,850	263,137	274,831	253,558	325,760	453,291	459,091
Total governmental activities	12,026,539	12,998,475	14,080,308	14,252,039	15,361,729	16,254,203	17,223,650	18,898,395	19,928,550	21,499,891
Business-type activities:										
Water and sewer fund	12,326,878	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569	16,069,699	16,993,598	18,449,631	20,876,600
Parking services fund	-	-	-	-	-	-	-	-	-	454,355
Environmental services fund	993,094	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440	1,428,563	1,519,238	1,479,708	1,710,016
Stormwater fund	-	-	-	-	-	177,649	275,402	311,497	437,571	1,352,826
Total business-type activities expenses	13,319,972	14,160,097	17,225,873	18,670,373	19,823,469	16,569,658	17,773,664	18,824,333	20,366,910	24,393,797
Total primary government expenses	\$ 25,346,511	\$ 27,158,572	\$ 31,306,181	\$ 32,922,412	\$ 35,185,198	\$ 32,823,861	\$ 34,997,314	\$ 37,722,728	\$ 40,295,460	\$ 45,893,688
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	\$ -	\$ -	\$ 39,153	\$ 85,995	\$ 38,379	\$ 25,639	\$ 40,272	\$ 37,730	\$ 65,547	\$ 93,421
Public Safety	219,158	217,156	76,401	217,039	295,562	468,933	390,797	251,510	177,686	-
Transportation	75,042	98,555	-	-	-	-	153,295	200,070	-	-
Parks and Drainage	5,500	16,000	-	-	-	-	-	-	-	-
Cultural and Recreational	162,593	168,084	323,572	412,311	429,214	363,692	292,418	273,800	301,004	329,893
Operating grants and contributions	646,346	433,681	680,540	722,754	807,606	703,076	1,338,803	1,272,272	1,860,657	3,416,622
Capital grants and contributions	-	60,079	53,783	1,073,002	565,917	561,531	271,254	-	699,285	-
Total governmental activities program revenues	1,108,639	993,555	1,173,449	2,511,101	2,136,678	2,122,871	2,486,839	2,035,382	3,104,179	3,839,936
Business-type activities:										
Charges for services:										
Water and sewer	13,708,469	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817	16,067,138	16,196,439	17,742,080	20,681,826
Parking services	-	-	-	-	-	-	-	-	-	236,266
Environmental services fund	928,295	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775	1,221,473	1,237,818	1,325,233	1,508,967
Stormwater fund	-	-	-	-	-	241,568	341,334	378,635	652,269	998,963
Grants and contributions	-	580,014	1,177,512	46,537	679,696	1,820,530	1,421,287	2,935,574	2,055,043	2,947,764
Total business-type activities program revenues	14,636,764	15,782,247	17,036,217	16,736,659	17,176,525	18,503,690	19,051,232	20,748,466	21,774,625	26,373,786
Total primary government program revenues	\$ 15,745,403	\$ 16,775,802	\$ 18,209,666	\$ 19,247,760	\$ 19,313,203	\$ 20,626,561	\$ 21,538,071	\$ 22,783,848	\$ 24,878,804	\$ 30,213,722

(continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

**TABLE 2
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense)/revenue										
Governmental activities	\$ (10,917,900)	\$ (12,004,920)	\$ (12,906,859)	\$ (11,740,938)	\$ (13,225,051)	\$ (14,131,332)	\$ (14,736,811)	\$ (16,863,013)	\$ (16,824,371)	\$ (17,659,955)
Business-type activities	1,316,792	1,622,150	(189,656)	(1,933,714)	(2,646,944)	1,934,032	1,277,568	1,924,133	1,407,715	1,979,989
Total primary government net expense	\$ (9,601,108)	\$ (10,382,770)	\$ (13,096,515)	\$ (13,674,652)	\$ (15,871,995)	\$ (12,197,300)	\$ (13,459,243)	\$ (14,938,880)	\$ (15,416,656)	\$ (15,679,966)
GENERAL REVENUES										
Governmental activities:										
Property Taxes	\$ 7,043,951	\$ 7,289,030	\$ 7,745,067	\$ 8,084,440	\$ 8,302,439	\$ 8,563,585	\$ 9,108,913	\$ 10,887,215	\$ 11,319,866	\$ 12,084,859
Sales & Use Tax	2,404,610	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984	3,427,281	3,807,868	4,597,838	5,236,194
Other taxes	531,600	402,294	402,398	13,528	12,200	11,544	11,605	283,418	473,363	483,223
Franchise Taxes	1,298,877	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448	1,281,328	1,218,896	1,268,343	1,267,760
Restricted Intergovernmental Revenue	746,012	379,744	-	-	-	-	-	-	-	-
Permits and Fees	49,630	71,455	177,883	261,890	245,055	239,548	264,151	-	-	-
Sales and Services	245,360	-	-	-	-	-	-	-	-	-
Investment Earnings	11,245	16,374	53,142	117,250	45,477	60,808	220,110	121,167	16,594	(41,011)
Miscellaneous	122,713	68,735	234,357	335,338	293,332	337,144	211,310	155,925	168,047	108,811
Transfers	-	(228,720)	-	138,947	26,474	534,955	336,250	30,000	-	(350,000)
Special Items	-	-	-	-	-	-	(569,930)	-	-	-
Total governmental activities	12,453,998	11,600,142	12,675,434	13,426,826	13,391,824	14,222,016	14,291,018	16,504,489	17,844,051	18,789,836
Business-type activities:										
Investment earnings	15,033	34,318	157,767	277,173	85,509	106,643	331,817	164,081	5,038	(22,853)
Miscellaneous	9,625	158,183	91,806	64,501	101,689	196,496	114,735	61,352	-	-
Gain on sale of capital assets	-	-	-	-	-	-	5,323	9,164	41,515	26,341
Transfers	100,880	228,720	-	(138,947)	(26,474)	(534,955)	(336,250)	(30,000)	-	350,000
Total business-type activities	125,538	421,221	249,573	202,727	160,724	(231,816)	115,625	204,597	46,553	353,488
Total primary government	\$ 12,579,536	\$ 12,021,363	\$ 12,925,007	\$ 13,629,553	\$ 13,552,548	\$ 13,990,200	\$ 14,406,643	\$ 16,709,086	\$ 17,890,604	\$ 19,143,324
CHANGE IN NET POSITION										
Governmental activities	\$ 1,536,098	\$ (404,778)	\$ (231,425)	\$ 1,685,888	\$ 166,773	\$ 90,684	\$ (445,793)	\$ (358,524)	\$ 1,019,680	\$ 1,129,881
Business-type activities	1,442,330	2,043,371	59,917	(1,730,987)	(2,486,220)	1,702,216	1,393,193	2,128,730	1,454,268	2,333,477
Total Change in Net Position	\$ 2,978,428	\$ 1,638,593	\$ (171,508)	\$ (45,099)	\$ (2,319,447)	\$ 1,792,900	\$ 947,400	\$ 1,770,206	\$ 2,473,948	\$ 3,463,358

From: Statement of Activities

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	\$ -	\$ -	\$ 8,805	\$ 63,057	\$ 474,265	\$ 461,013	\$ 72,783	\$ 104,022	\$ 83,644	\$ 38,543
Restricted for Stabilization by State Statute	805,835	925,946	1,058,260	1,790,318	1,830,006	2,513,576	2,117,460	2,499,480	6,091,937	3,947,831
Restricted for Public Safety	97,471	131,935	115,235	-	-	-	-	-	-	-
Restricted for Streets	289,674	-	-	-	-	-	-	-	-	-
Restricted for Economic Development	-	7,906	19,577	-	-	-	-	-	-	-
Restricted for USDA Loan Reserve	-	-	-	-	-	-	-	-	-	62,225
Assigned for Subsequent Year's Expenditures	1,318,210	1,122,300	701,672	436,981	1,017,696	612,000	713,196	1,257,155	1,261,744	1,666,590
Unassigned	6,410,105	6,207,146	6,200,178	5,091,043	4,326,041	3,956,453	4,469,087	4,691,912	2,199,122	4,048,193
Total general fund	8,921,295	8,395,233	8,103,727	7,381,399	7,648,008	7,543,042	7,372,526	8,552,569	9,636,447	9,763,382
All other governmental funds										
Nonspendable	-	-	-	491	12,680	1,000	-	629,506	368	150
Restricted for Stabilization by State Statute	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	42,765	55,106	73,782	135,136	173,511	58,154	57,572	68,751	900,670	346,936
Restricted for Public Safety	3,191,465	189,615	52,786	110,261	43,673	94,610	118,458	80,206	146,644	700,551
Restricted for Human Services	-	-	-	-	-	-	-	-	-	1,500,000
Restricted for Cultural and Recreation	-	-	-	-	4,687	3,030	-	14,273	-	245,200
Restricted for Transportation	1,339,191	958,013	956,917	1,132,835	877,277	1,300,480	214,135	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-	-	9,239,540	-	907,559
Committed - Organic Garden	-	-	-	-	3,230	3,230	3,230	3,230	-	-
Assigned - Subsequent Year's Expenditures	84,840	46,000	7,531	548,148	439,020	89,307	135,109	132,125	-	-
Assigned - Debt Service	-	-	-	508,419	146,344	-	-	-	-	-
Unassigned	-	-	-	(373,383)	(205,128)	(827,181)	(362,698)	(531,695)	(943,457)	-
Total All Other Governmental Funds	4,669,515	1,318,141	1,116,566	2,450,486	1,611,336	1,291,249	930,180	10,566,259	104,225	3,700,396
Total All Governmental Funds	\$ 13,590,810	\$ 9,713,374	\$ 9,220,293	\$ 9,831,885	\$ 9,259,344	\$ 8,834,291	\$ 8,302,706	\$ 19,118,828	\$ 9,740,672	\$ 13,463,778

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
Property Tax	\$ 7,043,951	\$ 7,319,539	\$ 7,666,438	\$ 8,096,500	\$ 8,232,001	\$ 8,573,856	\$ 9,132,571	\$ 10,883,687	\$ 11,088,668	\$ 11,872,169
Other Taxes	531,600	402,294	402,398	13,528	12,200	11,544	11,604	10,895	9,888	10,420
Unrestricted Intergovernmental	3,703,487	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053	5,090,200	5,539,666	6,333,234	6,982,998
Restricted Intergovernmental	746,012	595,052	609,063	1,757,512	1,303,087	949,686	1,534,819	889,022	1,858,851	3,238,715
Permits and Fees	49,630	48,088	49,602	103,712	143,613	257,704	412,876	399,737	470,766	496,762
Sales and Services	245,360	414,073	480,028	566,479	518,672	430,673	365,557	341,043	264,116	129,331
Investment Earnings	11,966	16,335	53,094	117,250	45,476	60,808	220,109	121,167	16,594	(41,011)
Miscellaneous	141,763	272,522	188,331	272,567	301,644	548,588	223,679	133,676	165,119	375,545
Total revenues	12,473,769	12,830,040	13,707,246	15,712,532	15,376,848	15,656,912	16,991,415	18,318,893	20,207,236	23,064,929
EXPENDITURES										
Current:										
General government	2,374,576	2,228,056	3,184,950	2,441,963	2,843,232	2,793,058	3,587,116	3,314,528	3,677,000	4,244,229
Public Safety	6,999,222	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468	8,229,430	8,981,546	10,056,460	11,826,612
Transportation	2,994,120	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504	1,971,674	2,113,102	2,395,137	2,014,481
Environmental Protection	463,889	547,571	9,107	21,508	139,054	240,541	95,522	15,898	910	-
Economic & Physical Development	310,160	453,223	431,801	510,737	542,179	699,373	502,947	533,430	443,416	610,171
Cultural and Recreational	200,928	215,403	715,098	803,433	818,336	737,169	644,646	642,670	879,309	766,462
Capital Outlay	-	-	-	1,993,434	2,257,810	1,368,877	4,806,713	2,909,871	11,797,516	3,172,412
Debt Service:										
Principal	423,333	723,333	723,333	830,273	832,133	836,995	631,138	793,074	887,105	14,616,073
Interest and Fees	185,869	352,972	324,613	300,938	270,328	231,874	237,879	277,965	484,965	384,105
Bond issuance costs	-	-	-	-	-	29,550	-	36,933	-	41,517
Total expenditures	13,952,097	16,478,756	14,517,990	15,695,806	16,683,690	16,699,409	20,707,065	19,619,017	30,621,818	37,676,062
Excess of revenues over (under) expenditures	(1,478,328)	(3,648,716)	(810,744)	16,726	(1,306,842)	(1,042,497)	(3,715,650)	(1,300,124)	(10,414,582)	(14,611,133)

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OTHER FINANCING SOURCES (USES)										
Proceeds of Debt - Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,352,000	\$ -	\$ 11,500,000	\$ -	\$ 15,568,631
Proceeds of Debt - Notes Payable	6,000,000	-	242,500	78,533	655,000	-	2,965,100	-	768,161	609,956
Issuance of Capital Lease	-	-	-	-	-	-	-	521,478	206,335	-
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	61,930	45,080
Insurance Recovery	-	-	57,073	96,383	43,855	50,186	43,780	63,617	-	-
OPERATING TRANSFERS FROM (TO) OTHER FUNDS										
Enterprise Fund										
Environmental Services Fund	(269,940)	(127,840)	-	-	-	-	378,250	-	-	-
Parking Services Fund	-	-	-	-	-	-	-	-	-	2,110,572
Water and Sewer Fund	(100,880)	(100,880)	-	138,947	26,474	625,539	(42,000)	30,000	-	-
Stormwater Fund	-	-	-	-	-	(90,584)	-	-	-	-
Health & Welfare Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	293,970	-	-	-	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	(27,600)	-	-	-	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	100,000	100,000	100,000	-	-	-	-	-	-	-
Main Street Tax District	-	-	(100,000)	-	-	-	-	-	-	-
Main Street Tax District - Main Street Project	(45,000)	189,046	-	-	-	-	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(38,080)	(37,470)	-	-	-	-	-	-	-	-
Rails-to-Trails Project Grant Fund	-	-	-	-	-	-	-	-	-	-
	<u>5,912,470</u>	<u>22,856</u>	<u>317,663</u>	<u>315,988</u>	<u>734,301</u>	<u>617,444</u>	<u>3,368,337</u>	<u>12,116,246</u>	<u>1,036,426</u>	<u>18,334,239</u>
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (184,272)	\$ -	\$ -	\$ -
Net change in fund balances	\$ 4,434,142	\$ (3,625,860)	\$ (493,081)	\$ 332,714	\$ (572,541)	\$ (425,053)	\$ (531,585)	\$ 10,816,122	\$ (9,378,156)	\$ 3,723,106
Capital Asset Expenditures	\$ 2,815,434	\$ 4,064,359	\$ 1,333,272	\$ 2,031,608	\$ 2,298,582	\$ 1,363,198	\$ 4,804,733	\$ 1,833,501	\$ 12,528,275	\$ 3,982,136
Debt service as a percentage of noncapital expenditures	5.5%	8.7%	7.9%	8.3%	7.7%	7.0%	5.5%	6.4%	7.6%	44.6%

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(amounts expressed in hundreds)**

Fiscal Year	Assessed Real Property		Assessed Personal Property		Less: Tax-exempt Real Property	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					
2013	\$ 750,214,548	\$ 681,531,593	\$ 79,490,976	\$ 133,819,795	\$ 13,813,812	\$ 1,631,243,100	0.81	\$ 1,639,936,739	99.5%
2014	867,439,562	601,013,269	133,799,024	111,836,701	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	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	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	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	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	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	13,474,000	2,143,764,984	0.92	2,330,179,330	92.0%
2021	999,259,059	922,392,978	160,750,408	129,063,770	16,504,479	2,194,961,736	0.92	2,385,827,974	92.0%
2022	1,013,616,881	935,646,352	173,936,654	118,793,002	17,617,295	2,224,375,594	0.93	2,391,801,714	93.0%

Source: Henderson County Tax Assessor's Office

CITY OF HENDERSONVILLE, NORTH CAROLINA
PROPERTY TAX RATES (DIRECT AND OVERLAPPING GOVERNMENTS)
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City Direct Rates										
General Fund Rate	0.410	0.410	0.440	0.460	0.460	0.470	0.490	0.490	0.490	0.520
Main Street Tax District	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.260	0.260	0.240
Seventh Avenue District	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.170	0.170	0.170
Total Direct Rate	0.810	0.810	0.840	0.860	0.860	0.870	0.890	0.920	0.920	0.930
County Rates										
Henderson County	0.5136	0.5136	0.5136	0.5136	0.5650	0.5650	0.5650	0.5610	0.5610	0.5610
Town of Fletcher	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400
Town of Laurel Park	0.3600	0.0360	0.3900	0.4300	0.4300	0.4300	0.4300	0.4350	0.4350	0.4350
Town of Saluda	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450	0.6650	0.6650	0.6750
Town of Mills River	0.0974	0.0974	0.1124	0.1124	0.1800	0.1800	0.1800	0.1900	0.1900	0.1900
Village of Flat Rock	0.0840	0.0840	0.1100	0.1100	0.1100	0.1100	0.1100	0.1300	0.1300	0.1300
Fire (14) District Rates										
From Lowest	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800	0.0900	0.0900	0.0900
To Highest	0.1250	0.1250	0.1250	0.1300	0.1300	0.1300	0.1300	0.1350	0.1400	0.1400
Special Purpose District Rates										
Main Street Tax District	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2600	0.2600	0.2400
Seventh Avenue Tax District	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1700	0.1700	0.1700

Source: Henderson County Tax Assessor's Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2022 Fiscal Year			2013 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles	\$ 48,929,829	1	2.20%	\$ 35,061,735	1	2.15%
Lake Point Landing	36,267,137	2	1.63%	-		0.00%
Triangle Ballantyne Hendersonville	28,618,100	3	1.29%	-		0.00%
Walmart	26,474,075	4	1.19%	27,733,100	2	1.70%
Boyd Hyder	23,686,390	5	1.06%	21,383,300	3	1.31%
Triangle Real Estate of Gastonia, Inc.	22,251,200	6	1.00%	12,513,000	5	0.77%
Duke Energy HC	19,882,928	7	0.89%	-		0.00%
Sams	13,985,243	8	0.63%	-		0.00%
First Citizens Bank	13,408,929	9	0.60%	-		0.00%
Publix	12,306,688	10	0.55%	-		0.00%
Totals	<u>\$ 245,810,519</u>		<u>11.05%</u>	<u>\$ 96,691,135</u>		<u>5.93%</u>

Source: City of Hendersonville Tax Collector

CITY OF HENDERSONVILLE, NORTH CAROLINA

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year	Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2013	\$ 6,368,893	\$ 324,190	\$ 6,693,083	\$ 6,553,545	97.92%	\$ 131,358	\$ 6,684,903	99.88%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%	73,212	6,402,398	99.72%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%	107,633	6,895,967	99.42%
2016	7,890,120	106,715	7,996,835	7,837,894	98.01%	105,108	7,943,002	99.33%
2017	7,997,213	11,895	8,009,108	7,862,484	98.17%	126,963	7,989,447	99.75%
2018	8,294,356	(35,435)	8,258,921	8,116,296	98.27%	108,531	8,224,827	99.59%
2019	8,801,346	23,980	8,825,326	8,697,385	98.55%	80,189	8,777,574	99.46%
2020	10,562,551	(34,718)	10,527,833	10,384,754	98.64%	91,296	10,476,050	99.51%
2021	10,790,575	(28,643)	10,761,932	10,642,972	98.89%	78,489	10,721,461	99.62%
2022	11,665,844	(99,091)	11,566,753	11,465,200	99.12%	-	11,465,200	99.12%

Source: Hendersonville County Tax Commissioner's Office

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Financed Purchases	Notes Payable	Revenue Bonds	Other Bonds	Financed Purchases	Notes Payable			
2013	\$ 2,250,000	\$ -	\$ -	\$ 7,283,333	\$ -	\$ -	\$ -	\$ 23,503,653	\$ 33,036,986	0.78%	\$ 2,485
2014	2,060,000	-	-	6,750,000	-	-	-	20,902,442	29,712,442	0.77%	2,205
2015	1,870,000	-	-	6,459,167	-	-	-	27,283,746	35,612,913	0.88%	2,607
2016	1,680,000	-	-	5,897,427	-	-	-	24,262,654	31,840,081	0.75%	2,303
2017	1,490,000	-	-	5,910,294	-	-	-	21,057,370	28,457,664	0.64%	2,023
2018	1,343,000	-	-	5,272,299	-	-	-	18,515,329	25,130,628	0.53%	1,771
2019	1,177,000	-	-	7,772,261	-	-	-	16,569,675	25,518,936	0.48%	1,791
2020	1,013,000	-	497,781	18,666,884	12,100,000	-	-	10,814,841	43,270,025	0.77%	3,031
2021	852,000	-	586,602	18,826,454	10,889,000	-	109,932	14,042,341	45,306,329	*	2,993
2022	694,000	3,935,950	414,802	16,709,750	16,589,000	12,652,051	84,427	16,659,408	67,739,388	*	4,203

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

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

* Information is not yet available

CITY OF HENDERSONVILLE, NORTH CAROLINA

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2021	852,000	-	852,000	0.04%	56
2022	694,000	-	694,000	0.03%	43.07

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

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

(2) See the Schedule of Demographic and Economic Statistics for population data.

CITY OF HENDERSONVILLE, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT as of June 30, 2022

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	\$ 152,671,000	15.38%	\$ 23,480,800
Subtotal, Overlapping Debt			23,480,800
City of Hendersonville Direct			21,754,502
Total Direct and Overlapping Debt			\$ 45,235,302

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 130,499,448	\$ 136,071,843	\$ 135,907,787	\$ 138,980,953	\$ 139,121,830	\$ 140,427,714	\$ 144,197,265	\$ 171,501,199	\$ 175,596,939	\$ 177,950,048
Total net debt applicable to limit	33,036,986	29,712,442	35,612,913	28,457,664	28,457,664	25,130,628	25,518,936	43,092,506	45,308,038	67,739,388
Legal debt margin	\$ 97,462,462	\$ 106,359,401	\$ 100,294,874	\$ 110,523,289	\$ 110,664,166	\$ 115,297,086	\$ 101,425,021	\$ 128,408,693	\$ 130,288,901	\$ 110,210,660
Total net debt applicable to the limit as a percentage of debt limit	25.3%	21.8%	26.2%	20.5%	20.5%	17.9%	29.7%	25.1%	25.8%	38.1%

Calculation of Current Year Legal Debt Margin

Total Assessed Value	\$ 2,224,375,594
Debt Limit (8% of Total Assessed Value)	177,950,048
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	67,045,388
Total Bonded Debt	694,000
Total Amount of Debt Applicable to Debt Limit	<u>67,739,388</u>
Legal Debt Margin	<u>\$ 110,210,660</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Fiscal Years

Fiscal Year	(1) City Population	(2) County Population	(3) Personal Income (Amount in Thousands)	(4) Per Capita Personal Income	(5) School Enrollment	(6) (7) Unemployment Rate		(8) U.S.
						County	State	
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	15,708	4,765,710	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	5,612,483	47,385	13,164	7.5%	7.6%	11.1%
2021	15,137	116,281	*	*	12,600	4.3%	4.9%	6.1%
2022	16,115	116,829	*	*	12,671	3.5%	4.1%	3.8%

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

Employer	2022 Fiscal Year			2013 Fiscal Year		
	Employees	Rank	Percentage of Total City Population	Employees	Rank	Percentage of Total City Population
Henderson County Schools	1,900	1	11.79%	1,852	1	13.93%
Pardee Hospital	1,705	2	10.58%	1,253	2	9.43%
Park Ridge Health	1,274	3	7.91%	1,125	3	8.46%
Henderson County	1,152	4	7.15%	720	5	5.42%
Ingles Markets, Inc.	1,083	5	6.72%	750	4	5.64%
Meritor	660	6	4.10%	318	13	2.39%
Hospice of Henderson County Inc	409	7	2.54%			
Sierra Nevada Brewing Co	394	8	2.44%			
Wal-Mart	380	9	2.36%	450	10	3.38%
Continental Automotive Systems	200	10	1.24%			
Total	9,157		56.82%	6,468		48.65%

Source: NC Department of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

Function	Full-time Equivalent Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Administration	3	3	5	5	5	5	5	5	5	5
Finance	12	12	13	12	14	18	19	18	18	21
Support Services	14	14	15	13	14	17	17	17	19	22
Public Safety										
Police	50	51	51	53	53	56	59	59	57	60
Fire	27	27	27	27	29	33	33	49	54	51
Public Works										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	4	4	4	4	4	4
Administration	3	3	3	3	3	3	3	3	3	4
Streets & Highways	9	9	7	7	7	9	9	9	9	9
Traffic Engineer	2	2	2	2	2	2	2	2	4	3
Grounds Maintenance	8	8	8	8	8	8	8	8	9	9
Subtotal	31	31	29	29	30	32	32	32	35	35
Business-type Activities										
Water and Sewer Fund	65	65	65	68	72	73	79	82	97	100
Stormwater Fund	14	14	14	15	15	14	14	14	14	14
Total	216	217	219	222	232	248	258	276	299	308

CITY OF HENDERSONVILLE, NORTH CAROLINA

**OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Building Permits Issued										
Residential	305	307	119	130	101	221	256	309	241	188
Commercial	112	90	87	110	110	105	105	97	90	81
Public Safety - Police										
Physical Arrests	1,646	1,544	1,602	2,723	1,195	909	1,793	787	985	1,030
Traffic Violations	2,631	2,664	2,250	2,017	2,040	2,133	2,239	2,862	2,386	2,570
Parking Violations	2,762	2,317	2,216	3,029	2,462	1,790	1,415	854	689	1,226
Public Safety - Fire										
Number of Fire Calls Answered	3,270	3,401	4,121	4,352	4,761	4,638	4,499	3,855	3,825	4,099
Inspections Conducted	478	370	583	955	1,679	4,318	3,985	4,573	4,634	4,522
Water										
Number of Service Connections	25,514	26,446	26,723	30,000	27,449	28,415	29,986	29,308	30,504	30,981
Average Daily Production in Gallons	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896	6,942,134	7,323,913	7,575,326
Sewer										
Number of Service Connections	8,503	8,751	9,035	9,500	9,067	9,411	9,461	9,699	10,198	10,360
Average Daily Treatment in Gallons	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584	2,636,585	2,747,490	2,181,721
Solid Waste										
Refuse Collections (Tons per Year)	3,293	3,353	3,519	3,438	3,325	4,031	3,326	3,414	3,566	3,524
Recycling Collections (Tons per Year)	848	848	928	1,033	1,106	1,231	1,107	1,005	1,070	997
Scrap Metal (Tons per Year)	3	3	6	12	23	12	32	84	11	20,630

Sources: Various City of Hendersonville departments.

CITY OF HENDERSONVILLE, NORTH CAROLINA

**CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hendersonville										
Public Facilities/Buildings	5	5	5	5	1	1	2	3	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	38	39	39	30	30	30	42	35	40	40
Public Safety - Fire										
Number of Fire Stations	1	2	2	2	2	2	2	2	2	2
Number of Fire Trucks	6	6	6	5	6	5	5	5	6	6
Public Service										
Streets (in Miles)	68.20	68.20	68.20	68.20	65.75	65.75	65.75	65.75	65.75	67.55
Street Lights (Leased)	1,479	1,501	1,515	1,515	1,520	1,520	1,532	1,532	1,532	1,536
Street Lights (Owned)	189	189	189	189	256	215	286	286	286	286
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	158	158	158	184
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	4
Parks	12	12	12	12	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	14
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	634	637	640	653	623	624	633	634	664	712
Fire Hydrants	2,585	2,598	2,626	2,648	2,662	2,692	2,694	2,751	2,921	3,035
Sewer										
Sanitary Sewers (Miles)	177	178	178	180	160	182	182	183	183	186
Storm Sewers (Miles)	30	30	30	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	4	4	4	4	4	4	6	6	6

Source: Various City of Hendersonville departments

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2022. Our report includes a reference to other auditors who audited the financial statements of the Hendersonville Alcoholic Beverage Control Board (the "ABC Board") as described in our report on the City's financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the ABC Board or that are reported on separately by those auditors who audited the financial statements of the ABC Board.

Report on Internal Control over Financial Reporting

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

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


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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Raleigh, North Carolina
October 31, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hendersonville, North Carolina's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
October 31, 2022



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

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

Opinion on Each Major State Program

We have audited the City of Hendersonville, North Carolina's (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2022. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Hendersonville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
October 31, 2022

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
Federal Awards:				
U.S. Department of Justice:				
Direct Programs:				
Equitable Sharing Program	16.922		\$ 23,715	\$ -
Bulletproof Vest Partnership Program	16.607	HW-2019-05-SB	3,860	-
Total Department of Justice			<u>27,575</u>	<u>-</u>
U.S. Environmental Protection Agency:				
Passed Through the N.C. Department of Environmental Quality				
Clean Water State Revolving Fund (CWSRF) Cluster				
Capitalization Grants for State Revolving Funds	66.458	CS370444-10	175,530	-
Drinking Water State Revolving Fund (DWSRF) Cluster				
Capitalization Grants for Drinking Water Revolving Funds	66.468	H-SRF-F-20-1940	2,215,913	-
Total Environmental Protection Agency			<u>2,391,443</u>	<u>-</u>
U.S. Department of Agriculture				
Direct Programs:				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants (Expenditures)	10.766	n/a	1,694,746	-
Community Facilities Loans and Grants (Loan Balances)	10.766	n/a	11,500,000	-
Total Department of Agriculture			<u>13,194,746</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	n/a	451,708	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	n/a	20,633	-
Total Department of Homeland Security			<u>472,341</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>16,086,105</u>	<u>-</u>
State Awards:				
N.C. Department of Environmental Quality				
Division of Water Infrastructure				
Connect NC Bond Program - Northside Water System		H-SRP-D-17-0132	-	1,469,834
Total Department of Environmental Quality			<u>-</u>	<u>1,469,834</u>
N.C. Office of State Budget and Management				
SCIF Directed Grants		10161	-	4,800
Total Office of State Budget and Management			<u>-</u>	<u>4,800</u>
N.C. Department of Transportation:				
Powell Bill Program		DOT-4	-	467,859
Total Department of Transportation			<u>-</u>	<u>467,859</u>
TOTAL STATE AWARDS			<u>-</u>	<u>1,942,493</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 16,086,105</u>	<u>\$ 1,942,493</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the City of Hendersonville, North Carolina (the "City") under programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: BALANCES OF FEDERALLY FUNDED LOANS

As of June 30, 2022, the City has federally funded loans outstanding as follows:

- (1) United States Department of Agriculture - \$11,500,000
- (2) United States Environmental Protection Agency - \$5,019,166

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

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

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

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

State Awards

Internal control over major state programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

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

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

Identification of major state program:

Program Name _____

North Carolina Department of Environmental
Quality, Division of Water Infrastructure,
Connect NC Bond Program

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.

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

None reported.

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2022

2021-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the City.

Condition: Internal controls were not sufficient to timely detect material misstatements in the City's financial statements for the fiscal year ended June 30, 2020.

Context/Cause: During our audit for the fiscal year ended June 30, 2021, material misstatements were identified by management that caused the need to restate opening net position (equity) for the fiscal year ended June 30, 2021, for the City's governmental activities, business-type activities, and the Water & Sewer Fund due to issues with the calculation of depreciation expense on certain assets that occurred in prior years. As a result of classification errors in the City's capital asset subledger, annual depreciation expense was understated in previous years.

Effects/Possible Effects: As a result of the issues identified, restatements to the beginning net position of the opinion units noted below were required:

- Beginning net position of the City's governmental activities was reduced by \$603,210 to reflect the properly calculated amount of depreciation expense that should have been recorded on the affected assets in prior years.
- Beginning net position of the City's business-type activities and Water & Sewer Fund was reduced by \$371,448 to reflect the properly calculated amount of depreciation expense that should have been recorded on the affected assets in prior years.

Status: Resolved.