

City of Hendersonville

North Carolina



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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

CITY OF HENDERSONVILLE

The City of Four Seasons

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



December 14, 2021

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

North Carolina General Statute 159-34 states that “each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.” Pursuant to that requirement, it is our pleasure to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021.

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, 2021, 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, 2021 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 (the “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 the largest among five municipalities located within the County. The City is recognized for its vibrant Historic Downtown which includes dining, shopping, parks and a business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth. The U.S. Department of Commerce, Bureau of the Census estimates that the July 1, 2020 population of the City is 15,137.

The City encompasses an area of 6.97 square miles and is located on a mountain plateau 2,200 feet above sea level. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The City is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

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

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

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City 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. This past year saw significant uncertainty due to the COVID-19 pandemic. The Pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. In preparing the City’s budget for the fiscal year ended June 30, 2021, City leaders considered the potential impact of the Pandemic. The property tax collection percentage for the fiscal year ended June 30, 2020 was 98.6%. The City’s fiscal year ended June 30, 2021 budget assumed a decrease in collections of 1% of property taxes. However, the City’s property tax collections for the fiscal year ended June 30, 2021 are estimated to be \$10,632,856, an increase of approximately \$250,000 over the fiscal year ended June 30, 2020. The City’s sales tax revenue was also expected to be severely impacted by the Pandemic, but collections remained strong for the City in the fiscal year ended June 30, 2021, totaling an estimated 19% over the prior fiscal year. Additionally, the City received approximately \$597,000 of COVID-19 relief funds from the County to reimburse the City for Pandemic-related expenses. Hendersonville's financial position remains strong and should remain strong in the foreseeable future.

Local Economy

The City continues to have a strong and growing economy with a solid residential, commercial and industrial tax base. It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. The 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.

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.

More than 200 businesses, including over 20 restaurants, call the Historic District home and cater to residents' needs as well as attracting many visitors to the area. The County Courthouse, City Hall, and other government offices are all a part of the business district. First Bank, PNC Bank, First-Citizens Bank & Trust Company, Truist Bank, Bank of America and Wells Fargo Bank, National Association also have offices in the district.

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

Several industrial parks are located within the County in addition to sites with quality infrastructure and access. Facilities added or announced include an Amazon and Lowe's distribution facility and large greenhouse facility. An advanced manufacturing cluster has been cultivated and encouraged in Henderson County, driving significant employment and investment in the plastics, automotive, medical, outdoor recreation, food and beverage, advanced materials, and metals sectors.

Henderson County has a labor force of approximately 53,364 persons including approximately 5,670 individuals working in manufacturing businesses. North Carolina is a right-to-work state; therefore, Henderson County virtually has no unionization. Unemployment in Henderson County was 4.3% at June 30, 2021. This was an decrease over the prior year as the area continued to recover from the effects of the COVID 19 pandemic.

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 fifty percent (50%) of the City's population group average percent available fund balance. Furthermore, the City Council

hereby establishes a goal for the Water and Sewer Fund percent available fund balance to range between fifty to seventy-five percent (50%-75%). The City will adjust this goal as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook.

The City 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 2021, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road.

The Mud Creek Dump project continued during fiscal year 2021 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 continued construction on a new Police Department headquarters in fiscal year 2021 that will be located near the Seventh Avenue district. The new headquarters is a major component of plans to help revitalize the Seventh Avenue district and surrounding areas. The project will be funded through a loan with the United States Department of Agriculture Community Facilities Program.

Water & Sewer Initiatives and Projects

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

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2021 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.

The Etowah Water System Improvement project continued in fiscal year 2021. This project will include the installation of approximately 14,000-ft. of 12-inch ductile iron water main from the proposed booster pumping station to be located adjacent to Morgan Rd. in the Etowah area. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd. These improvements should allow the City to remove several hydro-pneumatic pump stations currently boosting water pressure at some of the higher elevations of the City's water system in the Etowah area. This project is expected to be completed in March 2022.

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

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

Stormwater Initiatives and Projects

The City's NPDES Phase II MS4 Permit issued by the NC Department of Environmental Quality, requires the City to satisfy six minimum control measures as part of a comprehensive stormwater management program. The goal of two of these measures, Public

Education and Outreach and Public Participation/Involvement, are to foster an active, involved, informed, and knowledgeable community, which is crucial to a successful stormwater management program. Some of the programs supported by the stormwater fund to meet these goals include the rain barrel program, “Trash Trout” stream trash collection, stormwater workshops, and stream clean-up events.

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, 2020. This was the 31st 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 Fiscal Year 2021 Annual Comprehensive Financial Report could not have been possible without the combined effort of 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 unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,

A handwritten signature in black ink, appearing to read 'C B', followed by a long horizontal line extending to the right.

John Buchanan, CPA, CLGFO
Finance Director

CITY OF HENDERSONVILLE, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF
YEAR ENDED JUNE 30, 2021

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Jerry A. Smith, Jr.

Jeffery Lane Miller

Dr. Jennifer Hensley

Lyndsey Simpson

CITY STAFF

City Manager – John F. Connet

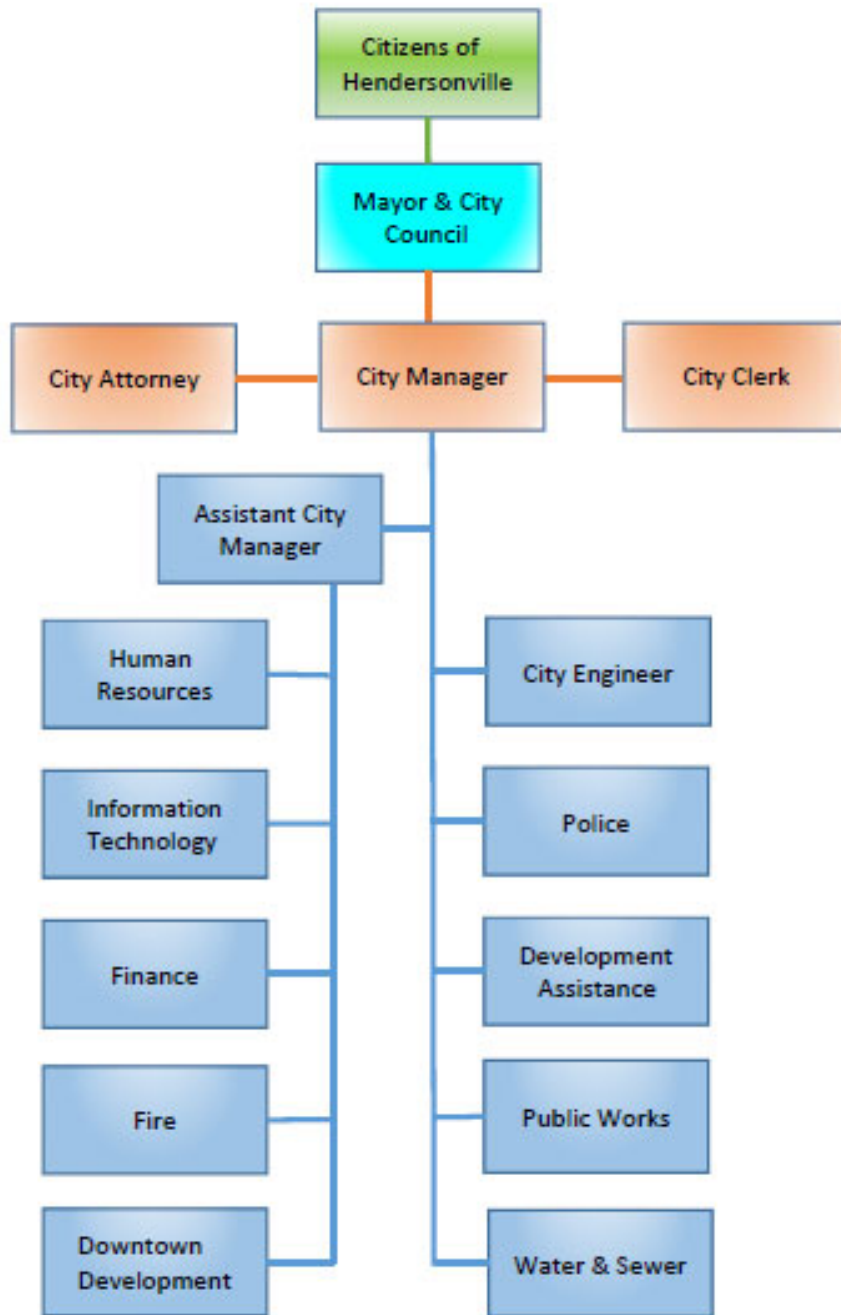
Assistant City Manager – Brian Pahle

City Clerk – 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, 2020

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Hendersonville, North Carolina** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Hendersonville Alcoholic Beverage Control Board (the "ABC Board"). Those financial 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 auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina as of June 30, 2021, 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.

Other Matters

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 – LEOSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - LEOSA, the City of Hendersonville's Proportionate Share of Net Pension Liability (Asset) - LGERS, and the Schedule of the City of Hendersonville's Contributions - LGERS on pages 4-14, 73, 74, 75, 76, and 77, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the statistical section, and the schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the 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* (Uniform Guidance) and the State Single Audit Implementation Act (the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

Columbia, South Carolina
December 14, 2021

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

As management of the City of Hendersonville (the “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, 2021, (“2021” or “FY 2021”) compared to the year ended June 30, 2020, (“2020” or “FY 2020”). The intent of this management’s discussion and analysis (“MD&A”) is to look at the City’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the City’s discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding of the City’s overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$105,063,000 (total net position for the Primary Government).
- The City’s total net position for FY 2021 increased by approximately \$2,474,000 over the prior year balance in large part due to an increase in the net position of the business-type activities of approximately \$1,454,000.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of approximately \$9,741,000 a decrease of approximately \$9,378,000 or 49% from the prior year. The decrease is the result of the construction of the new Police Headquarters.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$1,256,000. The unassigned fund balance for the General Fund is approximately \$2,199,000 which is 11% of total General Fund budgeted expenditures for the upcoming fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

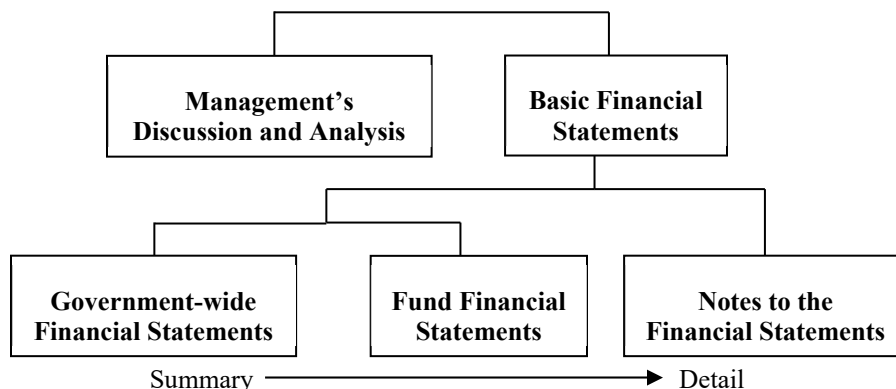
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

Financial Statements

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

Required Components of Annual Financial Report

Figure 1



CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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 statements, 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, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2020	2021	2020	2021	2020	2021
Current and Other Assets	\$ 21,249,693	\$ 12,560,693	\$ 20,301,591	\$ 17,186,970	\$ 41,551,284	\$ 29,747,663
Capital Assets	30,010,802	41,300,627	87,027,137	95,042,633	117,037,939	136,343,260
Total Assets	51,260,495	53,861,320	107,328,728	112,229,603	158,589,223	166,090,923
Deferred Pension Charges	1,978,100	2,984,961	1,373,377	1,602,144	3,351,477	4,587,105
Deferred OPEB Charges	648,110	890,052	435,224	578,534	1,083,334	1,468,586
Total Deferred Outflows of Resources	2,626,210	3,875,013	1,808,601	2,180,678	4,434,811	6,055,691
Long-Term Liabilities Outstanding	27,608,560	29,593,863	27,343,284	30,067,869	54,951,844	59,661,732
Other Liabilities	1,707,435	2,391,957	3,619,947	4,639,655	5,327,382	7,031,612
Total Liabilities	29,315,995	31,985,820	30,963,231	34,707,524	60,279,226	66,693,344
Deferred Pension Credits	72,545	238,467	11,703	90,506	84,248	328,973
Deferred OPEB Credits	42,109	36,310	28,014	23,602	70,123	59,912
Prepaid Taxes and Billings	1,231	1,231	-	-	1,231	1,231
Total Deferred Inflows of Resources	115,885	276,008	39,717	114,108	155,602	390,116
Net Position:						
Net Investment in Capital Assets	19,732,553	21,035,571	67,944,882	67,515,592	87,677,435	88,551,163
Restricted	3,739,753	7,139,251	-	-	3,739,753	7,139,251
Unrestricted	982,519	(2,700,317)	10,189,499	12,073,057	11,172,018	9,372,740
Total Net Position	\$ 24,454,825	\$ 25,474,505	\$ 78,134,381	\$ 79,588,649	\$ 102,589,206	\$ 105,063,154

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by approximately \$105,063,000 as of June 30, 2021. The City's net position increased by approximately \$2,474,000 for the fiscal year ended June 30, 2021, largely due to an increase in net position in the Water and Sewer Fund of approximately \$1,337,000.

The largest portion of net position of approximately \$88,079,000 (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 \$7,139,000 (7%) represents resources that are subject to external restrictions on how they may be used, leaving a remaining balance of about \$9,845,000 (9%) in unrestricted net position that is available for spending at the discretion of the City.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2021	2020	2021	2020	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 763,110	\$ 544,237	\$ 17,812,892	\$ 19,719,582	\$ 18,576,002	\$ 20,263,819
Operating Grants & Contributions	1,272,272	1,860,657	-	65,367	1,272,272	1,926,024
Capital Grants and Contributions	-	699,285	2,935,574	1,989,676	2,935,574	2,688,961
General Revenues:						
Property Taxes	10,887,215	11,319,866	-	-	10,887,215	11,319,866
Other Taxes & Fees	5,310,182	6,339,544	-	-	5,310,182	6,339,544
Other Revenue	277,092	184,641	204,597	46,553	481,689	231,194
Total Revenues	<u>18,509,871</u>	<u>20,948,230</u>	<u>20,953,063</u>	<u>21,821,178</u>	<u>39,462,934</u>	<u>42,769,408</u>
Expenses:						
General Government	3,798,995	3,815,963	-	-	3,798,995	3,815,963
Public Safety	10,317,127	11,300,514	-	-	10,317,127	11,300,514
Transportation	2,966,740	3,042,198	-	-	2,966,740	3,042,198
Environmental Protection	15,898	910	-	-	15,898	910
Economic and Physical Development	560,800	467,382	-	-	560,800	467,382
Culture and Recreational	913,075	848,292	-	-	913,075	848,292
Interest on Long-term Debt	325,760	453,291	-	-	325,760	453,291
Water and Sewer Fund	-	-	16,993,598	18,449,631	16,993,598	18,449,631
Environmental Services Fund	-	-	1,519,238	1,479,708	1,519,238	1,479,708
Stormwater Fund	-	-	311,497	437,571	311,497	437,571
Total Expenses	<u>18,898,395</u>	<u>19,928,550</u>	<u>18,824,333</u>	<u>20,366,910</u>	<u>37,722,728</u>	<u>40,295,460</u>
Change in Net Position before						
Transfers	(388,524)	1,019,680	2,128,730	1,454,268	1,740,206	2,473,948
Transfers	30,000	-	(30,000)	-	-	-
Change in Net Position	<u>(358,524)</u>	<u>1,019,680</u>	<u>2,098,730</u>	<u>1,454,268</u>	<u>1,740,206</u>	<u>2,473,948</u>
Net Position, Beginning of Year Restated	25,862,352	24,454,825	74,983,906	78,134,381	100,846,258	102,589,206
Net Position, End of Year	<u>\$ 25,503,828</u>	<u>\$ 25,474,505</u>	<u>\$ 77,082,636</u>	<u>\$ 79,588,649</u>	<u>\$ 102,586,464</u>	<u>\$ 105,063,154</u>

Governmental Activities: Governmental activities increased the City's net position by approximately \$1,020,000 over the prior year.

Business-type Activities: Business-type activities increased the City's net position by approximately \$1,454,000 mostly due to revenues exceeding expenses.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$2,199,000, which is a decrease of \$2,493,000 over the prior year. The General Fund decrease was the result of funding upfront costs in the Capital Projects Fund which will be reimbursed in FY2022. Total fund balance of approximately \$9,636,000, is an increase of approximately \$1,084,000 over the prior year. The use of fund balance was originally budgeted at approximately \$1,257,000 for FY 2021. In the upcoming fiscal year 2022 budget, approximately \$1,262,000 of fund balance is appropriated. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the General Fund as of June 30, 2021, represents 11% percent of total next year General Fund budgeted expenditures.

At June 30, 2021, the governmental funds of the City reported a combined total governmental fund balance of approximately \$9,741,000, a 49% decrease over last year. The decrease was mainly due to the use of debt proceeds received in the prior year for the construction of the new Police Headquarters.

The General Fund recorded operating revenues of approximately \$18,330,000 during FY 2021, which was an increase of approximately \$1,010,000, or 6% over the approximately \$17,320,000 recorded in FY 2020, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$209,000 or 2% over 2020.
- Unrestricted Intergovernmental Revenue increased over the prior fiscal year by approximately \$749,000 or 14%.
- Sales & Use Tax collections increased by approximately \$702,000 or 19% in the General Fund during fiscal year 2021, compared to the approximately 326,000 or 10% increase seen in the prior year. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. Increases in sales tax were driven by a strong economy coming out of the shut-downs related to COVID-19 in the prior year and stimulus money distributed by the federal government.
- Permits and Fees increased in 2021 by approximately \$71,000 or 18% over 2020. Fire inspections and motor vehicle fees were impacted in the prior year due to COVID-19 and returned to normal in FY2021.
- Sales and Services revenue decreased by approximately \$8,300 or 3% in total over the prior year. The decrease is mostly due to a slow return to normal for facility rentals and parking fees from the effects of the COVID-19 pandemic.
- Investment Income earned on the investment of idle cash of approximately \$37 was a decrease over the prior year of 99%. Investment rates of return dropped drastically due to the COVID-19 pandemic.

Expenditures in the General Fund were approximately \$16,716,000 for fiscal year 2021, which was an increase of approximately \$227,000, or 1% over the approximately \$16,489,000 recorded in fiscal year 2020, primarily due to the conservative approach to the first half of FY2021 to determine the impact of COVID-19. Additionally, some salary expenditures for the Fire Department were paid from the Grant Project Fund with CARES funds received.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Several factors contributed to the General Fund actual revenues of approximately \$18,330,000 exceeding the budgeted revenues by approximately \$1,138,000 or 7%. These include:

- Property Tax collections were 3%, or approximately \$351,000 higher than the amount budgeted, as property tax is generally very conservatively budgeted. The City continues to have a very good collection rate. The City entered into an agreement with the County beginning in FY 20 to collect taxes for the City which has provided favorable results.
- Local Option Sales Taxes came in approximately \$478,000 or 12% over the revised budget. COVID was originally expected to have a significant negative impact on sales tax. Sales tax revenues were not negatively impacted and ended up exceeding budget expectations.
- Revenues from the ABC Board exceeded the amended budgeted revenues by 30% or approximately \$75,000 above the expected amount.

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures ended the year at approximately \$16,716,000, which was approximately \$1,936,000 or 10% below the approximately \$18,652,000 revised expenditures budget for the fiscal year 2021. The following factors contributed to the reduction of expenditures during fiscal year 2021, these include:

- The Fire Department expenditures were approximately \$480,000 less than budgeted. The majority of this variance, is due to open positions.
- Police Department expenditures came in approximately \$658,000 below budget. The variance is mostly the result of open positions.
- The Public Works Streets and Highway Division ended the year with approximately \$177,000 of excess budget. This was primarily due to the elimination of a planned capital purchase.
- The Public Works Building Maintenance Division was \$148,000 under budget during fiscal year 2021, This was primarily due to the elimination of a planned capital purchase.

The Governmental Capital Projects Fund, a major fund, includes the Police Department Headquarters, Seventh Avenue Streetscape and Tracey Grove Road Bridge projects. The Capital Projects Fund's change in fund balance decreased approximately \$10,662,000. This decrease is primarily due to the construction expenditures for the Police Department Headquarters.

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 \$867,000 over the prior year. The primary reason for the variance is an increase in grant revenue in the Grant Fund.

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

The Main Street Tax District Fund is an operating governmental special revenue fund used to record the activities of the Main Street Municipal Tax District. The Main Street Tax District Fund recorded a fund balance increase of approximately \$128,000 for fiscal year 2021.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Non-Major Governmental Funds (Continued)

Total Main Street Tax District Fund revenues decreased by approximately \$47,000 or 8% compared to fiscal year 2020. In FY 2021 the City contracted with a non-profit to operate and manage special events in the Main Street district, which resulted in a decrease of \$67,000 in special event revenue.

Seventh Avenue Tax District Fund revenues increased by approximately \$3,000 compared to the prior year due to an increase in tax revenue.

Expenditures in the Non-Major Governmental Funds increased by approximately \$847,000 over the prior year. Key components of these variances between fiscal year 2020 and 2019 include the following:

- Expenditures for Public Safety increased approximately \$1,231,000.
- Expenditures for Environmental Protection decreased approximately \$15,000
- Expenditures for Economic and Physical Development decreased approximately \$101,000.
- Expenditures for Capital Outlay decreased approximately \$265,000.

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 \$17,742,000 in operating revenues for fiscal year 2021. This was approximately \$1,546,000 or a 10% increase over fiscal year 2020. The primary reason for this increase is an increase in the rates for water and growth of the system. The following provides further details for the increase in the fund revenues during fiscal year 2021:

- Water Sales Revenue was approximately \$11,386,000 for fiscal year 2021, which was 12% increase over the previous fiscal year. Sewer Charges increased approximately \$58,000 or 1% over fiscal year 2020.
- Water and Sewer new tap charges increased by approximately \$41,000.
- The Water & Sewer fund reported investment revenue of approximately \$5,000 in fiscal year 2021. This was a \$140,000 decrease over fiscal year 2020. This is due to drastic decreases in rate of return and reduced idle cash available for investment.

The Water & Sewer Fund recorded approximately \$17,406,000 in operating expenditures for fiscal year 2021. This was approximately \$250,000 or 11% greater than fiscal year 2020. The primary reasons for the increase in operating expenditures during fiscal year 2021 was due to an increase in staff.

Water & Sewer Fund Transfers:

- The Water & Sewer Fund transferred out a total of approximately \$177,000 to capital projects and the Capital Reserve Fund during fiscal year 2021.

Unrestricted net position of the Water and Sewer Fund at the end of 2021 totaled approximately \$12,262,000 which was an increase of approximately \$2,176,000 (22%) over the prior year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

Non-major Enterprise Funds

Unrestricted net position increased in the non-major enterprise funds by 10% to approximately \$1,166,141 at June 30, 2021 compared to the prior year total of approximately \$148,000.

- Operating revenues were approximately \$1,978,000 and 22% higher for fiscal year 2021 than the previous year.
- Expenditures decreased by approximately \$240,000 or 11% from the prior year due to a decrease in capital outlay.

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, 2021, totaled approximately \$136,343,260 (net of accumulated depreciation). This was an increase of approximately \$18,330,663 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
- Purchase of land for the new parking deck
- Purchase of a new fire apparatus
- Etowah Water System Improvements
- Northside Water System Improvements

City’s Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Land	\$ 4,712,964	\$ 6,708,730	\$ 3,229,041	\$ 3,350,350	\$ 7,942,005	\$ 10,059,080
Buildings	10,381,472	9,374,691	760,786	707,233	11,142,258	10,081,924
Other Improvements	1,272,724	1,201,367	182,303	193,257	1,455,027	1,394,624
Machinery and Equipment	3,154,634	3,773,520	4,243,001	3,929,398	7,397,635	7,702,918
Infrastructure	9,478,981	9,502,639	70,343,704	69,828,904	79,822,685	79,331,543
Software	17,543	1,243	11,510	45,273	29,053	46,516
Construction in Progress	1,595,694	10,738,437	8,628,240	16,988,218	10,223,934	27,726,655
Total	\$ 30,614,012	\$ 41,300,627	\$ 87,398,585	\$ 95,042,633	\$ 118,012,597	\$ 136,343,260

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Capital asset purchases are part of the City’s Five-Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on the City’s (Primary Government) capital assets can be found in Note 5 in the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2021, the City had total bonded debt outstanding of \$852,000. Of this total debt, the entire amount is backed by the full faith and credit of the City. The remainder of the City’s debt represents loans secured solely by lien on the particular assets financed.

City’s Outstanding General Obligation Bonds

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
General Obligation Bonds	\$ 1,013,000	\$ 852,000	\$ -	\$ -	\$ 1,013,000	\$ 852,000

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt limit for the City is approximately \$175,600,000 and the legal debt margin at June 30, 2021 is approximately \$130,291,000.

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 4.3% as of June 30, 2021. This was equal to the average unemployment rate statewide.
- The certified population estimate for the City of Hendersonville as of July 1, 2021, was 16,115.
- The annual Henderson County Apple Festival, held in Hendersonville, returned this year after missing last year due to the COVID-19 pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2022

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, 2022, (“2022” or “FY 2022”) operating budget totals approximately \$45,247,000 for the City’s budgeted operating funds. This is approximately \$5,685,000 or 14%, higher than the approximately \$39,562,000 original FY 2021 budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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

Governmental Activities

The fiscal year 2022 budget includes an increase to the tax rate of \$0.03 at \$0.52 per \$100 in assessed value. The rate is budgeted to generate approximately \$1,114,000 in ad valorem tax revenue for the fiscal year.

The fiscal year 2022 adopted expenditure budget for the General Fund totals approximately \$20,538,000 which is approximately \$436,000 above the final 2021 fiscal year amended budgeted.

Budget Highlights for the Fiscal Year Ending June 30, 2020 (Continued)

Business-type Activities

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for approximately 45% of total expenses. The fiscal year 2022 operating budget, not including transfers to the Water and Sewer Capital Projects, totals approximately \$20,294,676 and is 11% higher than the prior fiscal year due to an increase in personnel, operating expenditures, and capital expenditures.

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.

The Environmental Service Fund budgeted operating expenses increased by approximately \$489,000 or 34% in next year's budget. This is due to an increase in capital outlay.

The Stormwater Fund operating expense budget, not including transfers, is approximately \$1,337,000,000 for fiscal year 2021, an increase of more than 100% over the prior year. The City has expanded the Stormwater program.

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, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
ASSETS				
Cash and cash equivalents	\$ 991,470	\$ 1,664,733	\$ 2,656,203	\$ 1,347,511
Investments	3,760,224	6,313,734	10,073,958	-
Receivables, net:				
Taxes receivable	260,448	-	260,448	-
Accounts	154,130	3,065,325	3,219,455	382
Grants	290,608	2,649	293,257	-
Shared taxes	1,668,095	-	1,668,095	-
Refundable taxes	599,739	19	599,758	-
Loans	-	2,423,063	2,423,063	-
Due from component unit	115,000	-	115,000	-
Prepaid items	84,012	15,438	99,450	43,885
Inventories	-	1,190,073	1,190,073	554,642
Restricted cash and cash equivalents	3,618,983	2,511,936	6,130,919	-
Notes receivable	1,017,984	-	1,017,984	-
Capital assets, nondepreciable	17,447,167	20,338,568	37,785,735	-
Capital assets, depreciable, net of accumulated depreciation	23,853,460	74,704,065	98,557,525	1,686,201
Total assets	53,861,320	112,229,603	166,090,923	3,632,621
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	2,984,961	1,602,144	4,587,105	164,614
OPEB related items	890,052	578,534	1,468,586	-
Total deferred outflows of resources	3,875,013	2,180,678	6,055,691	164,614
LIABILITIES				
Accounts payable	1,894,036	3,548,428	5,442,464	227,752
Retainage payable	-	425,248	425,248	-
Accrued salaries and benefits	447,327	303,433	750,760	-
Accrued interest payable	49,729	41,808	91,537	-
Customer deposits	865	320,738	321,603	-
Other accrued liabilities	-	-	-	371,127
Due to primary government	-	-	-	115,000
Noncurrent liabilities:				
Due within one year	955,249	3,119,023	4,074,272	-
Due in more than one year	28,638,614	26,948,846	55,587,460	207,617
Total liabilities	31,985,820	34,707,524	66,693,344	921,496
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - prepaid property taxes	1,231	-	1,231	-
Pension related items	238,467	90,506	328,973	-
OPEB related items	36,310	23,602	59,912	-
Total deferred inflows of resources	276,008	114,108	390,116	-
NET POSITION				
Net investment in capital assets	21,035,571	67,043,265	88,078,836	1,686,201
Restricted for:				
Stabilization by State Statute	6,091,937	-	6,091,937	295,965
Economic development	900,670	-	900,670	-
Public safety	146,644	-	146,644	-
Capital projects	-	-	-	30,629
Unrestricted	(2,700,317)	12,545,384	9,845,067	862,944
Total net position	\$ 25,474,505	\$ 79,588,649	\$ 105,063,154	\$ 2,875,739

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, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,815,963	\$ 65,547	\$ -	\$ -
Public safety	11,300,514	177,686	1,490,628	-
Transportation	3,042,198	-	370,029	699,285
Environmental protection	910	-	-	-
Economic and physical development	467,382	229,642	-	-
Culture and recreation	848,292	71,362	-	-
Interest on long-term debt	453,291	-	-	-
Total governmental activities	19,928,550	544,237	1,860,657	699,285
Business-type activities:				
Water and sewer	18,449,631	17,742,080	16,101	1,989,676
Environmental services	1,479,708	1,325,233	11,974	-
Stormwater	437,571	652,269	37,292	-
Total business-type activities	20,366,910	19,719,582	65,367	1,989,676
Total primary government	\$ 40,295,460	\$ 20,263,819	\$ 1,926,024	\$ 2,688,961
Component unit:				
Hendersonville ABC Board	\$ 9,914,975	\$ 9,993,515	\$ -	\$ -

General revenues:
Taxes:
Property taxes
Sales taxes
Franchise taxes
Gross receipts tax
Other taxes
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Total general revenues
Change in net position
Net position, beginning of year, restated
Net position, end of year

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

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Hendersonville ABC Board
\$ (3,750,416)	\$ -	\$ (3,750,416)	\$ -
(9,632,200)	-	(9,632,200)	-
(1,972,884)	-	(1,972,884)	-
(910)	-	(910)	-
(237,740)	-	(237,740)	-
(776,930)	-	(776,930)	-
(453,291)	-	(453,291)	-
<u>(16,824,371)</u>	<u>-</u>	<u>(16,824,371)</u>	<u>-</u>
-	1,298,226	1,298,226	-
-	(142,501)	(142,501)	-
-	251,990	251,990	-
-	1,407,715	1,407,715	-
<u>(16,824,371)</u>	<u>1,407,715</u>	<u>(15,416,656)</u>	<u>-</u>
-	-	-	78,540
11,319,866	-	11,319,866	-
4,597,838	-	4,597,838	-
1,268,343	-	1,268,343	-
9,888	-	9,888	-
463,475	-	463,475	-
16,594	5,038	21,632	384
126,307	-	126,307	-
41,740	41,515	83,255	-
<u>17,844,051</u>	<u>46,553</u>	<u>17,890,604</u>	<u>384</u>
1,019,680	1,454,268	2,473,948	78,924
24,454,825	78,134,381	102,589,206	2,796,815
<u>\$ 25,474,505</u>	<u>\$ 79,588,649</u>	<u>\$ 105,063,154</u>	<u>\$ 2,875,739</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2021

	General Fund	Governmental Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 920,041	\$ -	\$ 38,219	\$ 958,260
Investments	3,489,323	-	144,947	3,634,270
Receivables, net:				
Taxes receivable	238,792	-	21,656	260,448
Accounts	153,555	-	-	153,555
Grants	3,855	-	286,753	290,608
Shared taxes	1,591,232	-	76,863	1,668,095
Refundable taxes	599,739	-	-	599,739
Due from component unit	115,000	-	-	115,000
Due from other funds	3,177,711	-	-	3,177,711
Prepaid items	83,644	-	368	84,012
Restricted cash and cash equivalents	-	3,378,567	240,416	3,618,983
Notes receivable	455,484	-	562,500	1,017,984
Total assets	\$ 10,828,376	\$ 3,378,567	\$ 1,371,722	\$ 15,578,665
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 506,355	\$ 1,323,446	\$ 12,106	\$ 1,841,907
Accrued salaries and benefits	440,047	-	7,280	447,327
Customer deposits	865	-	-	865
Due to other funds	-	2,848,522	329,189	3,177,711
Total liabilities	947,267	4,171,968	348,575	5,467,810
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	239,576	-	19,616	259,192
Deferred revenue - prepaid taxes	1,231	-	-	1,231
Unavailable revenue - intergovernmental	3,855	-	105,905	109,760
Total deferred inflows of resources	244,662	-	125,521	370,183
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	83,644	-	368	84,012
Restricted for:				
Stabilization by State Statute	6,091,937	-	-	6,091,937
Economic development	-	-	900,670	900,670
Public safety	-	-	146,644	146,644
Assigned for fiscal year 2022 budget	1,261,744	-	-	1,261,744
Unassigned	2,199,122	(793,401)	(150,056)	1,255,665
Total fund balances	9,636,447	(793,401)	897,626	9,740,672
Total liabilities, deferred inflows of resources and fund balances	\$ 10,828,376	\$ 3,378,567	\$ 1,371,722	\$ 15,578,665

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, 2021

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

Fund balances - total governmental funds	\$	9,740,672	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			
Cost	\$	67,335,431	
Less accumulated depreciation		(26,034,804)	41,300,627
Internal service funds are used by the City to charge cost to other funds. The assets and liabilities are included in the governmental activities.			
			107,610
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	\$	259,192	
Unavailable revenue - intergovernmental		109,760	368,952
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds			
General obligation refunding bonds	\$	(852,000)	
Installment purchase contracts		(18,826,454)	
Capital leases payable		(586,602)	
Accrued interest		(49,729)	
Compensated absences		(658,046)	(20,972,831)
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)	\$	(4,346,219)	
Total pension liability (LEOSSA)		(1,619,778)	
Deferred outflows of resources - pension items		2,984,961	
Deferred inflows of resources - pension items		(238,467)	(3,219,503)
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	\$	(2,704,764)	
Deferred outflows of resources - OPEB items		890,052	
Deferred inflows of resources - OPEB items		(36,310)	(1,851,022)
Net position - governmental activities	\$		25,474,505

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, 2021

	<u>General Fund</u>	<u>Governmental Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 10,751,559	\$ -	\$ 337,109	\$ 11,088,668
Other taxes and licenses	9,888	-	-	9,888
Unrestricted intergovernmental	6,057,364	-	275,870	6,333,234
Restricted intergovernmental	625,751	-	1,233,100	1,858,851
Permits and fees	470,766	-	-	470,766
Sales and services	261,576	-	2,540	264,116
Investment earnings	37	11,072	5,485	16,594
Miscellaneous	153,159	-	11,960	165,119
Total revenues	<u>18,330,100</u>	<u>11,072</u>	<u>1,866,064</u>	<u>20,207,236</u>
Expenditures:				
Current:				
General government	3,677,000	-	-	3,677,000
Public safety	8,446,024	-	1,610,436	10,056,460
Transportation	2,395,137	-	-	2,395,137
Environmental protection	-	-	910	910
Economic and physical development	-	-	443,416	443,416
Culture and recreation	878,309	-	1,000	879,309
Capital outlay	-	11,797,516	-	11,797,516
Debt service:				
Principal	850,699	-	36,406	887,105
Interest	469,152	-	15,813	484,965
Total expenditures	<u>16,716,321</u>	<u>11,797,516</u>	<u>2,107,981</u>	<u>30,621,818</u>
Excess (deficiency) of revenues over (under) expenditures	1,613,779	(11,786,444)	(241,917)	(10,414,582)
Other financing sources (uses):				
Sale of capital assets	61,930	-	-	61,930
Issuance of long-term debt	206,335	768,161	-	974,496
Transfers in	-	355,836	442,330	798,166
Transfers out	(798,166)	-	-	(798,166)
Total other financing sources (uses)	<u>(529,901)</u>	<u>1,123,997</u>	<u>442,330</u>	<u>1,036,426</u>
Net change in fund balances	1,083,878	(10,662,447)	200,413	(9,378,156)
Fund balances, beginning of year	<u>8,552,569</u>	<u>9,869,046</u>	<u>697,213</u>	<u>19,118,828</u>
Fund balances, end of year	<u>\$ 9,636,447</u>	<u>\$ (793,401)</u>	<u>\$ 897,626</u>	<u>\$ 9,740,672</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, 2021

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

Net change in fund balances - total governmental funds	\$	(9,378,156)
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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.

Capital outlay	\$	12,528,275	
Depreciation expense		<u>(1,917,545)</u>	10,610,730

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.

Net book value of capital assets disposed	\$	(20,190)	
Donations of capital assets		<u>699,285</u>	679,095

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - property taxes	\$	14,043	
Unavailable revenue - intergovernmental		<u>(14,074)</u>	(31)

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.

Installment purchase contract	\$	(768,161)	
Capital lease		(206,335)	
Principal payments on outstanding general obligation bonds		161,000	
Principal payments on outstanding installment purchase contracts		608,591	
Principal payments on outstanding capital leases		<u>117,514</u>	(87,391)

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.

Accrued interest	\$	31,674	
Change in compensated absences		127,408	
Change in pension expense (LRS)		(676,020)	
Change in pension expense (LEOSSA)		(123,093)	
Change in OPEB expense		<u>(137,527)</u>	(777,558)

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.

(27,009)

Change in net position - governmental activities	\$	<u>1,019,680</u>	
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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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes	\$ 10,347,500	\$ 10,377,500	\$ 10,751,559	\$ 374,059
Other taxes and licenses	9,500	9,500	9,888	388
Unrestricted intergovernmental revenue	4,923,846	5,434,865	6,057,364	622,499
Restricted intergovernmental revenue	564,645	542,244	625,751	83,507
Permits and fees	447,350	447,350	470,766	23,416
Sales and services	276,050	256,550	261,576	5,026
Investment earnings	140,000	-	37	37
Miscellaneous revenues	64,000	123,980	153,159	29,179
Total revenues	<u>16,772,891</u>	<u>17,191,989</u>	<u>18,330,100</u>	<u>1,138,111</u>
Expenditures				
Current:				
General government	4,076,116	3,912,124	3,677,000	235,124
Public safety	9,883,704	9,608,005	8,446,024	1,161,981
Transportation	2,510,767	2,455,611	2,395,137	60,474
Culture and recreation	880,426	914,518	878,309	36,209
Debt service:				
Principal	733,176	1,078,029	850,699	227,330
Interest and fiscal charges	235,857	241,857	469,152	(227,295)
Total expenditures	<u>18,320,046</u>	<u>18,210,144</u>	<u>16,716,321</u>	<u>1,493,823</u>
Excess (deficiency) of revenues over (under) expenditures	(1,547,155)	(1,018,155)	1,613,779	2,631,934
Other financing sources (uses)				
Proceeds from sale of capital assets	-	70,000	61,930	(8,070)
Issuance of long-term debt	290,000	290,000	206,335	(83,665)
Appropriation of fund balance	1,257,155	1,456,321	-	(1,456,321)
Operating transfers out to other funds	-	(798,166)	(798,166)	-
Total other financing sources (uses)	<u>1,547,155</u>	<u>1,018,155</u>	<u>(529,901)</u>	<u>(1,548,056)</u>
Net change in fund balance	-	-	1,083,878	1,083,878
Fund balances, beginning of year	<u>8,552,569</u>	<u>8,552,569</u>	<u>8,552,569</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,552,569</u>	<u>\$ 8,552,569</u>	<u>\$ 9,636,447</u>	<u>\$ 1,083,878</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, 2021

	<u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,580,582	\$ 84,151	\$ 1,664,733	\$ 33,210
Investments	5,994,586	319,148	6,313,734	125,954
Receivables, net:				
Accounts	2,743,832	321,493	3,065,325	575
Grants	-	2,649	2,649	-
Refundable taxes	19	-	19	-
Loans from State Revolving Fund	2,423,063	-	2,423,063	-
Prepaid items	15,438	-	15,438	-
Inventories	1,190,073	-	1,190,073	-
Restricted cash and cash equivalents	2,511,936	-	2,511,936	-
Total current assets	<u>16,459,529</u>	<u>727,441</u>	<u>17,186,970</u>	<u>159,739</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	20,217,176	121,392	20,338,568	-
Depreciable, net of accumulated depreciation	73,470,809	1,233,256	74,704,065	-
Total capital assets, net	<u>93,687,985</u>	<u>1,354,648</u>	<u>95,042,633</u>	<u>-</u>
Total assets	<u>110,147,514</u>	<u>2,082,089</u>	<u>112,229,603</u>	<u>159,739</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	1,447,431	154,713	1,602,144	-
OPEB related items	519,197	59,337	578,534	-
Total deferred outflows of resources	<u>1,966,628</u>	<u>214,050</u>	<u>2,180,678</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,437,674	110,754	3,548,428	52,129
Retainage payable	425,248	-	425,248	-
Accrued salaries and benefits	271,744	31,689	303,433	-
Accrued interest payable	41,646	162	41,808	-
Customer deposits payable	320,738	-	320,738	-
Compensated absences, current	198,969	25,673	224,642	-
Current portion of long-term debt	2,788,694	105,687	2,894,381	-
Total current liabilities	<u>7,484,713</u>	<u>273,965</u>	<u>7,758,678</u>	<u>52,129</u>
Long-term liabilities:				
Compensated absences, less current portion	198,969	25,673	224,642	-
Long-term debt, less current portion	21,780,251	366,640	22,146,891	-
Net pension liability	2,546,975	272,241	2,819,216	-
Total OPEB liability	1,577,779	180,318	1,758,097	-
Total long-term liabilities	<u>26,103,974</u>	<u>844,872</u>	<u>26,948,846</u>	<u>-</u>
Total liabilities	<u>33,588,687</u>	<u>1,118,837</u>	<u>34,707,524</u>	<u>52,129</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	81,766	8,740	90,506	-
OPEB related items	21,181	2,421	23,602	-
Total deferred inflows of resources	<u>102,947</u>	<u>11,161</u>	<u>114,108</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	66,160,944	882,321	67,043,265	-
Restricted for debt service	-	-	-	-
Unrestricted	12,261,564	283,820	12,545,384	107,610
Total net position	<u>\$ 78,422,508</u>	<u>\$ 1,166,141</u>	<u>\$ 79,588,649</u>	<u>\$ 107,610</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, 2021

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 16,812,333	\$ 1,977,502	\$ 18,789,835	\$ 298,738
Water and sewer taps	397,380	-	397,380	-
Other operating income	532,367	-	532,367	18,456
Total operating revenues	<u>17,742,080</u>	<u>1,977,502</u>	<u>19,719,582</u>	<u>317,194</u>
OPERATING EXPENSES				
Administrative	3,203,593	-	3,203,593	-
Operations support	4,166,914	-	4,166,914	-
Water treatment and distribution	3,993,580	-	3,993,580	-
Waste collection and treatment	3,029,310	1,312,548	4,341,858	-
Stormwater	-	371,219	371,219	-
Risk management and employee benefits	-	-	-	344,203
Depreciation	3,651,468	226,577	3,878,045	-
Total operating expenses	<u>18,044,865</u>	<u>1,910,344</u>	<u>19,955,209</u>	<u>344,203</u>
Operating income (loss)	(302,785)	67,158	(235,627)	(27,009)
NONOPERATING REVENUE (EXPENSES)				
Investment earnings (loss)	4,797	241	5,038	-
Intergovernmental revenue	-	47,978	47,978	-
Other nonoperating revenue	16,101	1,288	17,389	-
Gain on disposal of capital assets	33,515	8,000	41,515	-
Interest expense	(404,766)	(6,935)	(411,701)	-
Total nonoperating revenues (expenses)	<u>(350,353)</u>	<u>50,572</u>	<u>(299,781)</u>	<u>-</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(653,138)	117,730	(535,408)	(27,009)
Capital contributions	1,989,676	-	1,989,676	-
Transfers in	63,362	-	63,362	-
Transfers out	<u>(63,362)</u>	<u>-</u>	<u>(63,362)</u>	<u>-</u>
Total capital contributions and transfers	<u>1,989,676</u>	<u>-</u>	<u>1,989,676</u>	<u>-</u>
Change in net position	1,336,538	117,730	1,454,268	(27,009)
NET POSITION, beginning of year, restated	<u>77,085,970</u>	<u>1,048,411</u>	<u>78,134,381</u>	<u>134,619</u>
NET POSITION, end of year	<u>\$ 78,422,508</u>	<u>\$ 1,166,141</u>	<u>\$ 79,588,649</u>	<u>\$ 107,610</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, 2021**

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 17,451,983	\$ 1,871,277	\$ 19,323,260	\$ 322,739
Payments to suppliers and service providers	(5,483,378)	(629,461)	(6,112,839)	(336,321)
Payments to employees	(7,905,133)	(1,012,631)	(8,917,764)	-
Net cash provided (used) by operating activities	<u>4,063,472</u>	<u>229,185</u>	<u>4,292,657</u>	<u>(13,582)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from (purchases of) investments	995,505	(198,723)	796,782	(125,954)
Interest received	12,819	486	13,305	-
Net cash provided (used) by investing activities	<u>1,008,324</u>	<u>(198,237)</u>	<u>810,087</u>	<u>(125,954)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(9,561,515)	(99,451)	(9,660,966)	-
Proceeds from sale of capital assets	30,965	8,000	38,965	-
Principal payments on long-term debt	(2,366,023)	(102,305)	(2,468,328)	-
Interest payments on long-term debt	(408,787)	(10,362)	(419,149)	-
Proceeds from issuance of long-term debt	3,311,624	40,761	3,352,385	-
Insurance reimbursements	16,101	-	16,101	-
Net cash used by capital and related financing activities	<u>(8,977,635)</u>	<u>(163,357)</u>	<u>(9,140,992)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other non-operating cash receipts	-	57,925	57,925	-
Transfers in	63,362	-	63,362	-
Transfers out	(63,362)	-	(63,362)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>57,925</u>	<u>57,925</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,905,839)	(74,484)	(3,980,323)	(139,536)
Cash and cash equivalents:				
Beginning of year	7,998,357	158,635	8,156,992	172,746
End of year	<u>\$ 4,092,518</u>	<u>\$ 84,151</u>	<u>\$ 4,176,669</u>	<u>\$ 33,210</u>
Classified as:				
Cash and cash equivalents	\$ 1,580,582	\$ 84,151	\$ 1,664,733	\$ 33,210
Restricted cash and cash equivalents	2,511,936	-	2,511,936	-
Total	<u>\$ 4,092,518</u>	<u>\$ 84,151</u>	<u>\$ 4,176,669</u>	<u>\$ 33,210</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (302,785)	\$ 67,158	\$ (235,627)	\$ (27,009)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,651,468	226,577	3,878,045	-
(Increase) decrease in customer accounts receivable	(367,669)	(106,225)	(473,894)	5,545
Decrease in shared and refundable taxes receivable	4,456	4,195	8,651	-
Decrease in prepaid expenses	144,105	-	144,105	-
Increase in inventories	(115,896)	-	(115,896)	-
Increase in accounts payable	798,007	37,430	835,437	7,882
Decrease in accrued salaries and benefits	(109,203)	(17,001)	(126,204)	-
Increase in customer deposits payable	77,572	-	77,572	-
Decrease in compensated absences payable	(50,968)	(5,744)	(56,712)	-
Increase in net pension liability and related deferrals	271,898	17,995	289,893	-
Increase in total OPEB liability and related deferrals	62,487	4,800	67,287	-
Net cash provided (used) by operating activities	<u>\$ 4,063,472</u>	<u>\$ 229,185</u>	<u>\$ 4,292,657</u>	<u>\$ (13,582)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Donations of capital assets	\$ 1,989,676	\$ -	\$ 1,989,676	\$ -
Total noncash capital and related financing activities	<u>\$ 1,989,676</u>	<u>\$ -</u>	<u>\$ 1,989,676</u>	<u>\$ -</u>

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, 2021

ASSETS	Billing Custodial Fund
Cash and cash equivalents	\$ 183,103
Total assets	183,103
LIABILITIES	
Due to others	183,364
Total liabilities	183,364
NET POSITION	
Restricted:	
Individuals, organizations, and other governments	(261)
Total net position	\$ (261)

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, 2021

	<u>Billing Custodial Fund</u>
ADDITIONS	
Etowah sewer billing	\$ 13,764
MSD sewer billing	320,484
Laurel Park stormwater billing	<u>3,168</u>
Total additions	<u>337,416</u>
DEDUCTIONS	
Payments to Etowah	13,223
Payments to MSD	321,315
Payments to Laurel Park	<u>3,139</u>
Total deductions	<u>337,677</u>
Change in fiduciary net position	(261)
NET POSITION, beginning of year	<u>-</u>
NET POSITION, end of year	<u><u>\$ (261)</u></u>

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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.

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, 2021, 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. 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 position 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 position 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 governmental funds and the government-wide statement of net position report prepaid property taxes. This amount represents property taxes collected by the City prior to the fiscal period that the property taxes were levied to finance and will be recognized as revenue in that period. 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)

M. 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.

N. 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)

O. 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)

O. 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.

P. 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.

Q. 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 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.

Deficit Fund Balance. The following funds report deficit fund balances as of June 30, 2021:

<u>Fund</u>	<u>Deficit</u>	<u>Corrective Action</u>
Governmental Capital Projects Fund	\$ (793,401)	Deficits in capital projects funds are most often the result of timing differences between the start of the project and the receipt of project funding. The associated operating fund (in this case the General Fund) provided funding for initial project expenditures and will be reimbursed once grant and/or debt funds are received.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,656,203
Investments	10,073,958
Restricted cash and cash equivalents	6,130,919
Statement of Fiduciary Net Position	183,103
	<u>\$ 19,044,183</u>
Cash deposited with financial institution	\$ 8,970,225
Cash deposited with NCCMT	5,963,928
Investments	4,110,030
	<u>\$ 19,044,183</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, 2021, the City's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Fair Value June 30, 2021	Maturity Date	Rating
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 5,963,928	None	AAAm
Federal Home Loan Banks (FHLB) Callable bonds	Fair Value Level 2	500,400	3/24/2026	AA+
Federal Farm Credit Banks (FFCB) Callable bonds	Fair Value Level 2	1,995,280	3/15/2023	AA+
Federal Home Loan Mortgage Corporation (FHLMC) callable bonds	Fair Value Level 1	998,690	12/4/2023	AA+
U.S. Treasury Note	Fair Value Level 1	615,660	11/30/2022	AA+
		<u>\$ 10,073,958</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, 2021, 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, 2021, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Nonmajor Governmental	Nonmajor Enterprise
Receivables:				
Taxes	\$ 2,735,601	\$ 19	\$ 104,363	\$ -
Notes	455,484	2,423,063	562,500	-
Accounts	153,555	-	-	321,493
Due from other governments	3,855	2,743,832	286,753	2,649
Less allowance for uncollectible	(190,838)	-	(5,844)	-
Net Receivables	<u>\$ 3,157,657</u>	<u>\$ 5,166,914</u>	<u>\$ 947,772</u>	<u>\$ 324,142</u>

Notes Receivable – Grey Hosiery Mill. The City entered into two (2) note receivables during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 began in January 2020 and will continue through maturity of the note in December 2027. The balance on this note at June 30, 2021, is \$162,500. 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, 2021, 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, 2021, is \$455,484.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2021, is as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Nondepreciable capital assets:					
Land	\$ 4,712,964	\$ 1,995,766	\$ -	\$ -	\$ 6,708,730
Construction in progress	1,595,694	9,909,254	-	(766,511)	10,738,437
Total	<u>6,308,658</u>	<u>11,905,020</u>	<u>-</u>	<u>(766,511)</u>	<u>17,447,167</u>
Capital assets, being depreciated:					
Buildings and improvements	15,470,273	-	-	-	15,470,273
Other improvements	5,112,121	-	-	-	5,112,121
Machinery and equipment	9,001,044	623,255	(578,862)	766,511	9,811,948
Software	413,918	-	-	-	413,918
Infrastructure	18,380,719	699,285	-	-	19,080,004
Total being depreciated	<u>48,378,075</u>	<u>1,322,540</u>	<u>(578,862)</u>	<u>766,511</u>	<u>49,888,264</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,692,011)	(403,571)	-	-	(6,095,582)
Other improvements	(3,839,397)	(71,357)	-	-	(3,910,754)
Machinery and equipment	(5,846,410)	(750,690)	558,672	-	(6,038,428)
Software	(396,375)	(16,300)	-	-	(412,675)
Infrastructure	(8,901,738)	(675,627)	-	-	(9,577,365)
Total	<u>(24,675,931)</u>	<u>(1,917,545)</u>	<u>558,672</u>	<u>-</u>	<u>(26,034,804)</u>
Total capital assets, being depreciated, net	<u>23,702,144</u>	<u>(595,005)</u>	<u>(20,190)</u>	<u>766,511</u>	<u>23,853,460</u>
Governmental activities capital assets, net	<u>\$ 30,010,802</u>	<u>\$ 11,310,015</u>	<u>\$ (20,190)</u>	<u>\$ -</u>	<u>\$ 41,300,627</u>

The beginning balance of accumulated depreciation for buildings and improvements has been restated to reflect the correction of an error that occurred in prior periods. Depreciation expense for certain assets in this category had been calculated incorrectly through the end of the prior fiscal year. See Note 13 for additional information.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Water and Sewer Fund:					
Nondepreciable capital assets:					
Land	\$ 3,107,649	\$ 122,809	\$ (1,500)	\$ -	\$ 3,228,958
Construction in progress	8,592,473	8,836,012	-	(440,267)	16,988,218
Total	<u>11,700,122</u>	<u>8,958,821</u>	<u>(1,500)</u>	<u>(440,267)</u>	<u>20,217,176</u>
Capital assets, being depreciated:					
Buildings	1,589,658	-	-	-	1,589,658
Plant and distribution systems	112,591,653	2,230,461	-	440,267	115,262,381
Machinery and equipment	19,511,735	552,582	(225,825)	-	19,838,492
Other improvements	202,934	14,901	-	-	217,835
Software	163,453	39,178	-	-	202,631
Total	<u>134,059,433</u>	<u>2,837,122</u>	<u>(225,825)</u>	<u>440,267</u>	<u>137,110,997</u>
Less accumulated depreciation for:					
Buildings	(828,872)	(53,553)	-	-	(882,425)
Plant and distribution systems	(42,978,096)	(2,838,491)	-	-	(45,816,587)
Machinery and equipment	(16,234,649)	(738,273)	225,471	-	(16,747,451)
Other improvements	(20,631)	(15,736)	-	-	(36,367)
Software	(151,943)	(5,415)	-	-	(157,358)
Total	<u>(60,214,191)</u>	<u>(3,651,468)</u>	<u>225,471</u>	<u>-</u>	<u>(63,640,188)</u>
Total capital assets being depreciated, net	<u>73,845,242</u>	<u>(814,346)</u>	<u>(354)</u>	<u>440,267</u>	<u>73,470,809</u>
Water and sewer fund capital assets, net	<u>\$ 85,545,364</u>	<u>\$ 8,144,475</u>	<u>\$ (1,854)</u>	<u>\$ -</u>	<u>\$ 93,687,985</u>

The beginning balance of accumulated depreciation for buildings and improvements has been restated to reflect the correction of an error that occurred in prior periods. Depreciation expense for certain assets in this category had been calculated incorrectly through the end of the prior fiscal year. See Note 13 for additional information.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
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	2,058,301	-	(75,906)	-	1,982,395
Total	<u>2,058,301</u>	<u>-</u>	<u>(75,906)</u>	<u>-</u>	<u>1,982,395</u>
Less accumulated depreciation for:					
Machinery and equipment	(1,324,877)	(165,717)	75,906	-	(1,414,688)
Total	<u>(1,324,877)</u>	<u>(165,717)</u>	<u>75,906</u>	<u>-</u>	<u>(1,414,688)</u>
Total capital assets being depreciated, net	<u>733,424</u>	<u>(165,717)</u>	<u>-</u>	<u>-</u>	<u>567,707</u>
Environmental services fund capital assets, net	<u>\$ 744,558</u>	<u>\$ (165,717)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 578,841</u>
Stormwater Fund:					
Nondepreciable capital assets:					
Land	\$ 110,258	\$ -	\$ -	\$ -	\$ 110,258
Construction in progress	35,767	-	-	(35,767)	-
Total	<u>146,025</u>	<u>-</u>	<u>-</u>	<u>(35,767)</u>	<u>110,258</u>
Capital assets, being depreciated:					
Plant and distribution systems	385,315	12,370	-	35,767	433,452
Machinery and equipment	243,126	57,609	-	-	300,735
Other improvements	-	29,473	-	-	29,473
Total	<u>628,441</u>	<u>99,452</u>	<u>-</u>	<u>35,767</u>	<u>763,660</u>
Less accumulated depreciation for:					
Plant and distribution systems	(26,616)	(23,726)	-	-	(50,342)
Machinery and equipment	(10,635)	(19,450)	-	-	(30,085)
Other improvements	-	(17,684)	-	-	(17,684)
Total	<u>(37,251)</u>	<u>(60,860)</u>	<u>-</u>	<u>-</u>	<u>(98,111)</u>
Total capital assets being depreciated, net	<u>591,190</u>	<u>38,592</u>	<u>-</u>	<u>35,767</u>	<u>665,549</u>
Stormwater fund capital assets, net	<u>\$ 737,215</u>	<u>\$ 38,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,807</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	\$ 324,978
Public safety	796,226
Transportation	700,448
Economic and physical development	12,498
Culture and recreation	83,395
Total depreciation expense - governmental activities	<u>\$ 1,917,545</u>
Business-type activities:	
Water and sewer fund	\$ 3,651,468
Environmental services fund	165,717
Stormwater fund	60,860
Total depreciation expense - business-type activities	<u>\$ 3,878,045</u>

Ongoing construction in progress in the City's governmental activities is primarily related to the Police Department Headquarters, Parking Deck, Seventh Avenue Streetscape, and Tracey Grove Road Bridge projects. The City had remaining commitments on these projects in the amount of approximately \$1,626,000 as of June 30, 2021.

Ongoing construction in progress in the City's business-type activities is primarily related to the Etowah Water System Improvement, French Broad River Intake, Northside Water Improvements, Clear Creek Interceptor and Hebron Zone Pressure Improvement projects. The City had remaining commitments on these projects in the amount of approximately \$7,861,000 as of June 30, 2021.

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, 2021:

	<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	\$ 1,013,000	\$ -	\$ (161,000)	\$ 852,000	\$ 158,000
Installment purchase contracts:					
IPC - April 2013	3,900,000	-	(300,000)	3,600,000	300,000
IPC - September 2015	21,272	-	(12,040)	9,232	9,232
IPC - June 2017	536,250	-	(38,752)	497,498	39,774
IPC - October 2018	2,333,000	-	(167,000)	2,166,000	167,000
IPC - June 2019	376,362	-	(90,799)	285,563	92,883
IPC - June 2020	11,500,000	-	-	11,500,000	-
IPC - May 2021	-	768,161	-	768,161	42,883
	<u>18,666,884</u>	<u>768,161</u>	<u>(608,591)</u>	<u>18,826,454</u>	<u>651,772</u>
Capital leases	497,781	206,335	(117,514)	586,602	145,477
Total direct borrowings/ direct placements	20,177,665	974,496	(887,105)	20,265,056	955,249
Compensated absences	785,454	-	(127,408)	658,046	-
Total OPEB liability	2,319,496	385,268	-	2,704,764	-
Net pension liability (LGERS)	3,132,461	1,213,758	-	4,346,219	-
Total pension liability (LEOSSA)	1,193,484	426,294	-	1,619,778	-
Governmental activity					
Long-term liabilities	<u>\$ 27,608,560</u>	<u>\$ 2,999,816</u>	<u>\$ (1,014,513)</u>	<u>\$ 29,593,863</u>	<u>\$ 955,249</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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Direct borrowings/placements:					
Revenue bonds:					
Series 2019	\$ 12,100,000	\$ -	\$ (1,211,000)	\$ 10,889,000	\$ 1,215,000
State revolving loans:					
SRF - November 2001	1,325,000	-	(662,500)	662,500	662,500
SRF - May 2011	314,480	-	(28,589)	285,891	28,589
SRF - June 2015	1,361,250	-	(90,750)	1,270,500	90,750
SRF - July 2015	3,255,450	-	(217,030)	3,038,420	217,030
SRF - March 2016	2,088,721	-	(139,248)	1,949,473	139,248
SRF - June 2020 (Streambank)	1,399,033	1,377,814	-	2,776,847	149,124
SRF - June 2020 (Northside)	533,778	3,086,519	-	3,620,297	268,547
	<u>10,277,712</u>	<u>4,464,333</u>	<u>(1,138,117)</u>	<u>13,603,928</u>	<u>1,555,788</u>
Installment purchase contracts:					
IPC - September 2015	68,690	-	(35,540)	33,150	33,150
IPC - June 2020	468,439	-	(63,176)	405,263	64,385
	<u>537,129</u>	<u>-</u>	<u>(98,716)</u>	<u>438,413</u>	<u>97,535</u>
Capital leases	-	130,427	(20,495)	109,932	26,058
Total direct borrowings/ direct placements	22,914,841	4,594,760	(2,468,328)	25,041,273	2,894,381
Compensated absences	505,996	-	(56,713)	449,283	224,642
Total OPEB liability	1,543,088	215,009	-	1,758,097	-
Net pension liability (LGERS)	2,379,359	439,857	-	2,819,216	-
Business-type activity					
Long-term liabilities	<u>\$ 27,343,284</u>	<u>\$ 5,249,626</u>	<u>\$ (2,525,041)</u>	<u>\$ 30,067,869</u>	<u>\$ 3,119,023</u>

Resources from the Water and Sewer 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 are obligations of the City that are secured by revenue from the Water and Sewer Fund. 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 capital leases are generally collateralized by the assets being financed, are not secured by the taxing power of the City, and are subject to acceleration clauses in an event of default (nonpayment, etc.).

Details on the City's outstanding long-term debt as of June 30, 2021, 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, 2021, the outstanding balance of these bonds is \$852,000.

The debt service to maturity on City's outstanding general obligation refunding bonds is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2022	\$ 158,000	\$ 8,605	\$ 166,605
2023	155,000	7,009	162,009
2024	152,000	5,444	157,444
2025	149,000	3,909	152,909
2026	146,000	2,404	148,404
2027	92,000	929	92,929
Total	\$ 852,000	\$ 28,300	\$ 880,300

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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, 2021, the outstanding balance of these bonds is \$10,889,000.

The debt service to maturity on City's outstanding revenue bonds is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2022	\$ 1,215,000	\$ 203,624	\$ 1,418,624
2023	1,219,000	180,904	1,399,904
2024	1,225,000	158,109	1,383,109
2025	1,229,000	135,201	1,364,201
2026	1,233,000	112,219	1,345,219
2027-2031	3,199,000	299,051	3,498,051
2032-2034	1,569,000	59,054	1,628,054
Total	\$ 10,889,000	\$ 1,148,162	\$ 12,037,162

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, 2021, is shown in the table beginning on the following page.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Water and Sewer Fund	
Revenues (1)	\$ 17,742,080
Current expenses (2)	14,393,397
Surplus Fund (3)	9,547,721
Principal and interest on revenue bond	1,437,270
Principal and interest on other indebtedness	1,332,231
 (a) Revenues plus 20% of Surplus Fund	 19,651,624
(a)(i) 100% of current expenses	14,393,397
(a)(ii) 120% of annual principal and interest on revenue bond	1,724,724
(a)(iii) 100% of annual principal and interest on other indebtedness	1,332,231
	17,450,352
 Covenant met	 \$ 2,201,272
 (b) Revenues	 17,742,080
(b)(i) 100% of current expenses	14,393,397
(b)(ii) 110% of annual principal and interest on revenue bond	1,580,997
(b)(iii) 100% of annual principal and interest on other indebtedness	1,332,231
	17,306,625
 Covenant met	 \$ 435,455

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

(2) This does not include depreciation expense.

(3) This is the June 30, 2020, unrestricted cash and investment balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Installment Purchase Contracts

	Balance as of June 30, 2021
<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>	\$ 3,600,000
<p>\$302,000 Installment Purchase Contract with Entegra (formerly Macon Bank) issued in September 2015 (IPC - September 2015), due in semi-annual installments of \$20,340 to \$22,815 beginning December 1, 2015, through June 1, 2022, plus interest at 1.89% due semi-annually. The proceeds of this issue were used to purchase a vehicle and parking meters. Approximately 27% and 73% of this IPC is reflected in the City's governmental and business-type activities, respectively.</p>	42,382
<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>	497,498
<p>\$2,500,000 Installment Purchase Contract with Pinnacle issued in October 2018 (IPC - October 2018), due in annual installments of \$166,000 to \$167,000 beginning October 1, 2019, through October 1, 2033, plus interest at 3.18% due semi-annually. The proceeds of this issue were used to construct a maintenance building and a restroom facility.</p>	2,166,000
<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>	285,563
<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>	405,263
<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>	768,161
Total outstanding installment purchase contracts	\$ 7,764,867

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Installment Purchase Contracts (Continued)

In addition to the installment purchase contracts noted on the prior page, the City also has an outstanding installment purchase contract in the amount of \$11,500,000 with HomeTrust Bank, which was issued in June 2020. The total loan amount is due on June 1, 2022, plus interest at 1.79%. The proceeds of this issue were used as interim financing for the construction of the Police Department Headquarters. It is the City's intent that this loan will be replaced at maturity with permanent long-term financing from United States Department of Agriculture (USDA). As such, in accordance with GASB Codification Section 2200.184 through 2200.190, the City has excluded the amount of this installment purchase contract from current liabilities as it has both the intent to refinance the obligation on a long-term basis and the City has demonstrated the ability to consummate the refinancing through the execution of a financing agreement with the USDA.

The debt service to maturity on the installment purchase contracts is as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 651,772	\$ 164,390	\$ 816,162	\$ 97,535	\$ 7,889	\$ 105,424
2023	646,748	149,505	796,253	65,617	6,179	71,796
2024	651,528	134,700	786,228	66,872	4,924	71,796
2025	556,018	120,362	676,380	68,151	3,645	71,796
2026	558,280	115,631	673,911	69,455	2,341	71,796
2027-2031	2,824,951	344,998	3,169,949	70,783	1,012	71,795
2032-2036	1,437,157	27,597	1,464,754	-	-	-
Total	<u>\$ 7,326,454</u>	<u>\$ 1,057,183</u>	<u>\$ 8,383,637</u>	<u>\$ 438,413</u>	<u>\$ 25,990</u>	<u>\$ 464,403</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

State Revolving Loans

	<u>Balance as of June 30, 2021</u>
\$13,250,000 State Revolving Loan finalized in November 2001 (SRF - November 2001), due in annual installments of \$662,500 beginning on May 1, 2003 through May 1, 2022, plus interest at 2.91% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	\$ 662,500
\$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.	285,891
\$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.	1,270,500
\$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.	3,038,420
\$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.	1,949,473
\$2,982,484 approved State Revolving Loan of which only \$1,399,033 has been drawn down through June 2021 (SRF - June 2020 - Streambank). Once fully drawn down, the loan will be due in annual installments of \$149,124 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue are being used for the Streambank Restoration project.	2,776,847
\$5,370,932 approved State Revolving Loan of which only \$533,778 has been drawn down through June 2021 (SRF - June 2020 - Northside). Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2022, through May 1, 2041, with no interest. The proceeds of this issue are being used for the Northside Water System project.	3,620,297
Total outstanding state revolving loans	<u>\$ 13,603,928</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>
2022	\$ 1,555,788	\$ 234,696	\$ 1,790,484
2023	893,288	187,892	1,081,180
2024	893,288	174,939	1,068,227
2025	893,288	161,986	1,055,274
2026	893,288	149,034	1,042,322
2027-2031	4,466,440	550,878	5,017,318
2032-2036	3,876,466	228,791	4,105,257
2037-2041	132,082	49,547	181,629
Total	<u>\$ 13,603,928</u>	<u>\$ 1,737,763</u>	<u>\$ 15,341,691</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of vehicles and equipment used in both governmental activities and business-type activities. The lease agreements qualify as capital leases for accounting purposes as either the leases include bargain purchase options, or the lease term covers at least 75% of the underlying asset's estimated useful life. The City's leases require monthly payments until maturity.

The original cost of the City's assets under capital lease arrangements for governmental activities is approximately \$521,000 and accumulated amortization was approximately \$28,000 as of June 30, 2021. The original cost of the City's assets under capital lease arrangements for business-type activities is approximately \$521,000 and accumulated amortization was approximately \$28,000 as of June 30, 2021. Annual amortization of assets recorded under capital lease has been included with depreciation expense. Debt service to maturity on the City's capital leases is as follows:

Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2022	\$ 145,477	\$ 26,058
2023	145,477	26,058
2024	145,477	26,058
2025	145,477	26,058
2026	4,694	5,700
Total minimum lease payments	586,602	109,932
Less amount representing interest	-	-
Present value of future minimum lease payments	<u>\$ 586,602</u>	<u>\$ 109,932</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Governmental Capital Projects Fund	\$ 2,848,522
General Fund	Nonmajor governmental funds	329,189
		\$ 3,177,711

The Governmental Capital Projects Fund and the Grants Fund (a nonmajor governmental fund) owe the General Fund for temporary cash shortages in the pooled cash account being covered by the General Fund.

Interfund transfers:

Transfers In	Transfers Out	Amount
Governmental Capital Projects Fund	General Fund	\$ 292,574
Governmental Capital Projects Fund	Water and Sewer Fund	63,262
		\$ 355,836
Water and Sewer Fund	General Fund	\$ 63,262
Nonmajor governmental funds	General Fund	\$ 442,330

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	\$ 4,072,076	\$ 230,033	\$ 2,464,140
Law Enforcement Officers' Special Separation Allowance	515,029	98,940	180,141
Total for All Pension Plans	\$ 4,587,105	\$ 328,973	\$ 2,644,281

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, 2021, was 10.84% of compensation for law enforcement officers and 10.20% 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 \$1,419,767 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$7,165,434 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020 (the measurement date), the City's proportion was 0.20052%, which was a decrease of 0.00131% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$2,464,140. At June 30, 2021, 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	\$ 904,869	\$ -
Changes in plan assumptions	533,249	-
Net difference between projected and actual earnings on pension plan investments	1,008,343	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,516	230,033
City contributions subsequent to the measurement date	1,613,099	-
Total	\$ 4,072,076	\$ 230,033

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 \$1,613,099 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, 2022. 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,	
2022	\$ 621,247
2023	846,604
2024	462,675
2025	298,418
	<u>\$ 2,228,944</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019, 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, 2019, 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, 2020, 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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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 to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 14,537,884	\$ 7,165,434	\$ 1,038,409

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 December 31, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	43
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 December 31, 2019, valuation. The total pension liability in the December 31, 2019, 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	1.93 percent

The discount rate used to measure the total pension liability is the Standard & Poor's 20-year Municipal Bond High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.26% to 1.93% due to a change in the Municipal Bond Rate.

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 \$56,568 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, 2021, the City reported a total pension liability of \$1,619,778. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$180,141.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 58,899	\$ 72,190
Change in assumptions	427,366	26,750
City benefit payments made subsequent to the measurement date.	28,764	-
Total	\$ 515,029	\$ 98,940

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,			
2022	\$	80,528	
2023		82,516	
2024		79,680	
2025		73,216	
2026		65,098	
Thereafter		6,287	
Total	\$	387,325	

Changes in the Total Pension Liability. The changes in the total pension liability of the City for the fiscal year ended June 30, 2021, were as follows:

	Total Pension Liability
Balance at June 30, 2020	\$ 1,193,484
Service cost	61,387
Interest	37,986
Experience differences	(70,177)
Assumption changes	453,666
Benefit payments	(56,568)
Balance at June 30, 2021	\$ 1,619,778

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,756,654	\$ 1,619,778	\$ 1,495,712

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$104,482, 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, 2019, the last actuarial valuation, the following members were covered by the HCB Plan’s benefit terms:

Active participants	260
Retirees and beneficiaries currently receiving benefits	16
Total	<u>276</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, 2021, the monthly premium for retirees was \$1,197 for the PPO plan and \$1,102 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, 2021, the City made contributions/benefit payments of approximately \$190,000. 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, 2021, and the current sharing pattern of costs between employer and inactive employees.

The total OPEB liability in the June 30, 2019, 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	2.00%
Real wage growth	1.00%
Wage inflation	3.00%
Municipal bond index rate	
Prior measurement date	3.50%
Measurement date	2.21%
Health care cost trends	
Pre-medicare	6.50% - 5.00%, Ultimate Trend in 2026
Medicare	6.50% - 5.00%, Ultimate Trend in 2026
Participation rates	100% of eligible retirees elect to receive coverage

The discount rate is based on the yield June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Change in assumption and other inputs reflect a change in the discount rate from 3.50% to 2.21%. The current mortality rates were based on the RP-2014 mortality tables, with post-2006 mortality improvements backed out. Future mortality improvement for the adjusted table is assumed to follow the MP-2019 improvement scale. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the LGERS 2015 Experience Study.

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, 2021, were as follows:

	Total OPEB Liability
Balance at June 30, 2020	\$ 3,862,584
Service Cost	170,370
Interest	131,176
Assumption changes	573,183
Benefit payments	(229,373)
Balance at June 30, 2021	\$ 4,507,940

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 (1.21 percent) or 1-percentage-point higher (3.21) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 4,993,648	\$ 4,507,940	\$ 4,085,505

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	\$ 4,065,066	\$ 4,507,940	\$ 5,046,508

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, 2021, the City recognized OPEB expense of \$426,070. At June 30, 2021, 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	\$ 606,741	\$ -
Changes in plan assumptions	671,440	59,912
City contributions subsequent to the measurement date	190,405	-
Total	\$ 1,468,586	\$ 59,912

City contributions made subsequent to the measurement date of \$190,405 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,		
2022	\$	159,077
2023		159,077
2024		159,077
2025		159,077
2026		159,077
Thereafter		422,884
	\$	1,218,269

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. RESTATEMENT OF BEGINNING BALANCES

The City has determined a restatement to beginning net position was required in the City's governmental activities, business-type activities, and the Water and Sewer Fund due to errors in calculating annual depreciation expense on certain assets that occurred in previous years. For certain of the City's capital assets, annual depreciation expense was underreported, resulting in the net book value of these assets being overstated in previous years. As a result of these errors, beginning net position was restated as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	\$ 25,058,035
Restatement to recognize depreciation expense incurred on various capital assets that was improperly omitted from prior financial statements of the City.	(603,210)
Net Position, governmental activities, as restated	\$ 24,454,825
Business-type Activities	
Net Position, business-type activities, as previously reported	\$ 78,505,829
Restatement to recognize depreciation expense incurred on various capital assets that was improperly omitted from prior financial statements of the City.	(371,448)
Net Position, business-type activities, as restated	\$ 78,134,381
Water and Sewer Fund	
Net Position, Water and Sewer Fund, as previously reported	\$ 77,457,418
Restatement to recognize depreciation expense incurred on various capital assets that was improperly omitted from prior financial statements of the City.	(371,448)
Net Position, Water and Sewer Fund, as restated	\$ 77,085,970

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,619,778	\$ 1,193,484	\$ 1,069,048	\$ 970,249	\$ 880,684
City's covered-employee payroll	\$ 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	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 EIGHT FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability (asset) (%)	0.20183%	0.19549%	0.19549%	0.18539%
City's proportion of the net pension liability (asset) (\$)	\$ 5,511,820	\$ 4,637,691	\$ 4,637,691	\$ 2,832,246
City's covered payroll	\$ 12,974,903	\$ 11,705,774	\$ 11,705,774	\$ 10,505,338
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.48%	39.62%	39.62%	26.96%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	94.18%	94.18%	91.47%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	0.17432%	0.17693%	0.13025%	0.12900%
City's proportion of the net pension liability (asset) (\$)	\$ 3,699,654	\$ 794,051	\$ (768,146)	\$ 1,554,945
City's covered payroll	\$ 10,120,748	\$ 9,515,789	\$ 8,378,808	\$ 7,471,416
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.56%	8.34%	(9.17%)	20.81%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	99.07%	102.64%	94.35%

* 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CITY CONTRIBUTIONS

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,419,767	\$ 1,184,667	\$ 987,487	\$ 901,020
Contributions in relation to the actuarially determined contribution	<u>1,419,767</u>	<u>1,184,667</u>	<u>987,487</u>	<u>901,020</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,776,001	\$ 12,974,903	\$ 12,439,887	\$ 11,705,774
Contributions as a percentage of covered payroll	10.31%	9.13%	7.94%	7.70%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 783,926	\$ 691,249	\$ 679,268	\$ 598,874
Contributions in relation to the actuarially determined contribution	<u>783,926</u>	<u>691,249</u>	<u>679,268</u>	<u>598,874</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,505,338	\$ 10,120,748	\$ 9,515,789	\$ 8,378,808
Contributions as a percentage of covered payroll	7.46%	6.83%	7.14%	7.15%

Note: 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
OPEB RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Taxes	\$ 10,347,500	\$ 10,377,500	\$ 10,728,844	\$ 351,344
Penalties and interest	-	-	22,715	22,715
Total ad valorem taxes	<u>10,347,500</u>	<u>10,377,500</u>	<u>10,751,559</u>	<u>374,059</u>
Other taxes and licenses:				
Beer and wine	2,000	2,000	2,892	892
Local vehicle rental tax	7,500	7,500	6,996	(504)
Total other taxes and licenses	<u>9,500</u>	<u>9,500</u>	<u>9,888</u>	<u>388</u>
Unrestricted intergovernmental revenue:				
Local option sales taxes	3,290,000	3,843,519	4,321,968	478,449
Payment in lieu of taxes (external sources)	71,346	71,346	71,346	-
Utility sales tax	965,000	965,000	1,013,316	48,316
Telecommunications sales tax	145,000	145,000	154,750	9,750
Video franchise fee	90,000	90,000	100,277	10,277
Beer and wine tax	60,000	60,000	59,629	(371)
ABC profit distribution	300,000	257,500	332,500	75,000
Court fees	2,500	2,500	3,578	1,078
Total unrestricted intergovernmental	<u>4,923,846</u>	<u>5,434,865</u>	<u>6,057,364</u>	<u>622,499</u>
Restricted intergovernmental revenue:				
Powell Bill allocation	418,682	380,200	363,405	(16,795)
ABC revenue for law enforcement	40,000	40,000	44,201	4,201
On-behalf payments - fire and rescue	-	-	110,307	110,307
School resource officer reimbursement	37,838	53,919	37,838	(16,081)
HHA officer reimbursement	68,125	68,125	70,000	1,875
Total restricted intergovernmental	<u>564,645</u>	<u>542,244</u>	<u>625,751</u>	<u>83,507</u>
Permits and fees:				
Building permits and inspection fees	222,500	222,500	228,787	6,287
Business registration fees	14,000	14,000	855	(13,145)
Special project fees	9,350	9,350	23,969	14,619
Motor vehicle fees	201,500	201,500	217,155	15,655
Total permits and fees	<u>447,350</u>	<u>447,350</u>	<u>470,766</u>	<u>23,416</u>
Sales and services:				
Facility rent	67,550	67,550	37,325	(30,225)
Recreation fees	16,000	16,000	26,227	10,227
Parking fees	182,500	152,500	160,024	7,524
Cemetery fees	10,000	20,500	38,000	17,500
Total sales and services	<u>276,050</u>	<u>256,550</u>	<u>261,576</u>	<u>5,026</u>
Investment earnings	140,000	-	37	37
Miscellaneous revenues				
Parking violations and penalties	50,000	50,000	17,662	(32,338)
Miscellaneous	14,000	73,980	135,497	61,517
Total miscellaneous revenues	<u>64,000</u>	<u>123,980</u>	<u>153,159</u>	<u>29,179</u>
Total revenues	<u>16,772,891</u>	<u>17,191,989</u>	<u>18,330,100</u>	<u>1,138,111</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 39,409	\$ 39,409	\$ 38,737	\$ 672
Operating expenditures	58,647	58,647	37,232	21,415
Special appropriations	264,762	386,922	386,922	-
Total governing body	<u>362,818</u>	<u>484,978</u>	<u>462,891</u>	<u>22,087</u>
Administration:				
Salaries and employee benefits	438,878	450,528	442,587	7,941
Operating expenditures	120,831	90,131	76,791	13,340
Health and wellness allocation	150,000	199,000	199,000	-
Capital outlay	-	100,000	95,734	4,266
Total administration	<u>709,709</u>	<u>839,659</u>	<u>814,112</u>	<u>25,547</u>
Finance:				
Salaries and employee benefits	254,120	261,213	242,864	18,349
Operating expenditures	681,418	223,672	170,734	52,938
Total finance	<u>935,538</u>	<u>484,885</u>	<u>413,598</u>	<u>71,287</u>
City engineer:				
Salaries and employee benefits	228,495	221,795	208,583	13,212
Operating expenditures	42,379	69,479	63,997	5,482
Capital outlay	12,813	47,690	44,753	2,937
Total city engineer	<u>283,687</u>	<u>338,964</u>	<u>317,333</u>	<u>21,631</u>
Information technology:				
Operating expenditures	416,385	459,851	434,506	25,345
Total information technology	<u>416,385</u>	<u>459,851</u>	<u>434,506</u>	<u>25,345</u>
Legal department:				
Salaries and employee benefits	118,358	148,608	146,483	2,125
Operating expenditures	21,324	13,074	11,405	1,669
Total legal department	<u>139,682</u>	<u>161,682</u>	<u>157,888</u>	<u>3,794</u>
Fleet maintenance:				
Salaries and employee benefits	250,600	258,960	247,539	11,421
Operating expenditures	111,201	97,457	87,902	9,555
Capital outlay	11,500	23,000	22,632	368
Total fleet maintenance	<u>373,301</u>	<u>379,417</u>	<u>358,073</u>	<u>21,344</u>
Building maintenance:				
Salaries and employee benefits	279,443	301,443	269,922	31,521
Operating expenditures	370,553	451,245	441,162	10,083
Capital outlay	205,000	10,000	7,515	2,485
Total building maintenance	<u>854,996</u>	<u>762,688</u>	<u>718,599</u>	<u>44,089</u>
Total general government	<u>4,076,116</u>	<u>3,912,124</u>	<u>3,677,000</u>	<u>235,124</u>
Public safety:				
Police:				
Salaries and employee benefits	5,024,285	5,047,285	4,391,160	656,125
Operating expenditures	608,722	719,645	717,749	1,896
Capital outlay	147,100	137,436	137,271	165
Total police	<u>5,780,107</u>	<u>5,904,366</u>	<u>5,246,180</u>	<u>658,186</u>
Fire:				
Salaries and employee benefits	2,936,251	2,448,238	2,000,216	448,022
Operating expenditures	664,718	652,489	539,075	113,414
Capital outlay	52,765	156,815	128,138	28,677
On-behalf payments (Firefighter's Relief Fund)	-	-	110,457	(110,457)
Total fire	<u>3,653,734</u>	<u>3,257,542</u>	<u>2,777,886</u>	<u>479,656</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Public safety (continued):				
Development assistance:				
Salaries and employee benefits	\$ 347,096	\$ 378,204	\$ 368,148	\$ 10,056
Operating expenditures	102,767	67,893	53,810	14,083
Total development assistance	<u>449,863</u>	<u>446,097</u>	<u>421,958</u>	<u>24,139</u>
Total public safety	<u>9,883,704</u>	<u>9,608,005</u>	<u>8,446,024</u>	<u>1,161,981</u>
Transportation:				
Public works administration:				
Salaries and employee benefits	333,717	336,767	332,338	4,429
Operating expenditures	83,071	62,906	53,475	9,431
Total public works administration	<u>416,788</u>	<u>399,673</u>	<u>385,813</u>	<u>13,860</u>
Streets and highways				
Salaries and employee benefits	498,383	505,983	485,740	20,243
Operating expenditures	301,249	216,660	210,654	6,006
Capital outlay	170,500	131,989	131,978	11
Total streets and highways	<u>970,132</u>	<u>854,632</u>	<u>828,372</u>	<u>26,260</u>
State Street Aid allocation:				
Operating expenditures	<u>600,000</u>	<u>604,818</u>	<u>604,818</u>	<u>-</u>
Traffic engineering:				
Salaries and employee benefits	245,706	249,956	238,085	11,871
Operating expenditures	251,141	346,228	338,049	8,179
Capital outlay	27,000	304	-	304
Total traffic engineering	<u>523,847</u>	<u>596,488</u>	<u>576,134</u>	<u>20,354</u>
Total transportation	<u>2,510,767</u>	<u>2,455,611</u>	<u>2,395,137</u>	<u>60,474</u>
Culture and recreation:				
Grounds maintenance:				
Salaries and employee benefits	507,307	537,307	507,856	29,451
Operating expenditures	97,694	120,376	117,240	3,136
Capital outlay	160,115	144,025	144,025	-
Total grounds maintenance	<u>765,116</u>	<u>801,708</u>	<u>769,121</u>	<u>32,587</u>
Patton Park pool:				
Operating expenditures	<u>115,310</u>	<u>112,810</u>	<u>109,188</u>	<u>3,622</u>
Total culture and recreation	<u>880,426</u>	<u>914,518</u>	<u>878,309</u>	<u>36,209</u>
Debt service:				
Principal	733,176	1,078,029	850,699	227,330
Interest and fiscal charges	<u>235,857</u>	<u>241,857</u>	<u>469,152</u>	<u>(227,295)</u>
Total debt service	<u>969,033</u>	<u>1,319,886</u>	<u>1,319,851</u>	<u>35</u>
Total expenditures	<u>18,320,046</u>	<u>18,210,144</u>	<u>16,716,321</u>	<u>1,493,823</u>
Excess (deficiency) of revenues over expenditures	<u>(1,547,155)</u>	<u>(1,018,155)</u>	<u>1,613,779</u>	<u>2,631,934</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	70,000	61,930	(8,070)
Issuance of long-term debt	290,000	290,000	206,335	(83,665)
Appropriation of fund balance	1,257,155	1,456,321	-	(1,456,321)
Operating transfers out to other funds	-	(798,166)	(798,166)	-
Total other financing sources (uses)	<u>1,547,155</u>	<u>1,018,155</u>	<u>(529,901)</u>	<u>(1,548,056)</u>
Net change in fund balances	-	-	1,083,878	1,083,878
Fund balances, beginning of year	<u>8,552,569</u>	<u>8,552,569</u>	<u>8,552,569</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,552,569</u>	<u>\$ 8,552,569</u>	<u>\$ 9,636,447</u>	<u>\$ 1,083,878</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, 2021**

	Project Authorization	Prior Years	Actual	
			Current Year	Total To Date
Revenues:				
Grant revenue - NCDOT	\$ 832,000	\$ 163,114	\$ -	\$ 163,114
Local contributions	342,500	325,000	-	325,000
Investment earnings	-	944	11,072	12,016
Total revenues	<u>1,174,500</u>	<u>489,058</u>	<u>11,072</u>	<u>500,130</u>
Expenditures:				
Current:				
General government				
Other operating expenditures	754,000	745,061	-	745,061
Capital outlay	34,931,061	5,241,673	11,797,516	17,039,189
Debt service:				
Debt issuance costs	36,933	36,933	-	36,933
Total expenditures	<u>35,721,994</u>	<u>6,023,667</u>	<u>11,797,516</u>	<u>17,821,183</u>
Deficiency of revenues under expenditures	(34,547,494)	(5,534,609)	(11,786,444)	(17,321,053)
Other financing sources (uses):				
Transfers in	1,818,608	1,475,655	355,836	1,831,491
Transfers out	-	(72,000)	-	(72,000)
Proceeds from issuance of debt	32,728,886	14,000,000	768,161	14,768,161
Total other financing sources	<u>34,547,494</u>	<u>15,403,655</u>	<u>1,123,997</u>	<u>16,527,652</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 9,869,046</u>	<u>(10,662,447)</u>	<u>\$ (793,401)</u>
Fund balances, beginning of year			<u>9,869,046</u>	
Fund balances, end of year			<u>\$ (793,401)</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, 2021

ASSETS	Special Revenue Funds				Total Nonmajor Governmental Funds
	Main Street Tax District Fund	Seventh Avenue Tax District Fund	Special Revenue Fund	Grants Fund	
Cash and cash equivalents	\$ 21,254	\$ 16,965	\$ -	\$ -	\$ 38,219
Investments	80,607	64,340	-	-	144,947
Receivables, net:					
Taxes	19,645	2,011	-	-	21,656
Grants	-	-	-	286,753	286,753
Shared taxes	64,002	12,861	-	-	76,863
Prepaid items	368	-	-	-	368
Restricted cash and cash equivalents	52,148	41,624	146,644	-	240,416
Notes receivable	-	-	-	562,500	562,500
Total assets	\$ 238,024	\$ 137,801	\$ 146,644	\$ 849,253	\$ 1,371,722
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 9,374	\$ 1,017	\$ -	\$ 1,715	\$ 12,106
Accrued salaries and benefits	5,222	2,058	-	-	7,280
Due to other funds	-	-	-	329,189	329,189
Total liabilities	14,596	3,075	-	330,904	348,575
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	17,605	2,011	-	-	19,616
Unavailable revenue - grants	-	-	-	105,905	105,905
Total deferred inflows of resources	17,605	2,011	-	105,905	125,521
FUND BALANCES					
Nonspendable:					
Prepaid items	368	-	-	-	368
Restricted for:					
Economic development	205,455	132,715	-	562,500	900,670
Public safety	-	-	146,644	-	146,644
Unassigned	-	-	-	(150,056)	(150,056)
Total fund balances	205,823	132,715	146,644	412,444	897,626
Total liabilities, deferred inflows of resources and fund balances	\$ 238,024	\$ 137,801	\$ 146,644	\$ 849,253	\$ 1,371,722

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$ 302,241	\$ 34,868	\$ -	\$ -	\$ 337,109
Unrestricted intergovernmental	229,892	45,978	-	-	275,870
Restricted intergovernmental	-	-	9,423	1,223,677	1,233,100
Special events income	2,040	500	-	-	2,540
Investment income (loss)	(105)	40	-	5,550	5,485
Miscellaneous	270	5,000	6,690	-	11,960
Total revenues	<u>534,338</u>	<u>86,386</u>	<u>16,113</u>	<u>1,229,227</u>	<u>1,866,064</u>
Expenditures:					
Current:					
Public safety	-	-	42,448	1,567,988	1,610,436
Environmental protection	-	-	-	910	910
Economic and physical development	353,789	63,667	-	25,960	443,416
Culture and recreation	-	-	1,000	-	1,000
Debt service:					
Principal	36,406	-	-	-	36,406
Interest	15,813	-	-	-	15,813
Total expenditures	<u>406,008</u>	<u>63,667</u>	<u>43,448</u>	<u>1,594,858</u>	<u>2,107,981</u>
Excess (deficiency) of revenues over (under) expenditures	128,330	22,719	(27,335)	(365,631)	(241,917)
Other financing sources:					
Transfers in	-	-	-	442,330	442,330
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,330</u>	<u>442,330</u>
Net change in fund balances	128,330	22,719	(27,335)	76,699	200,413
Fund balances, beginning of year	<u>77,493</u>	<u>109,996</u>	<u>173,979</u>	<u>335,745</u>	<u>697,213</u>
Fund balances, end of year	<u>\$ 205,823</u>	<u>\$ 132,715</u>	<u>\$ 146,644</u>	<u>\$ 412,444</u>	<u>\$ 897,626</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, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 295,875	\$ 295,875	\$ 301,636	\$ 5,761
Penalties and interest	500	500	605	105
Sales and use taxes	162,785	192,785	229,892	37,107
Special events income	12,250	250	2,040	1,790
Investment earnings	1,000	-	(105)	(105)
Miscellaneous	-	-	270	270
Total revenues	<u>472,410</u>	<u>489,410</u>	<u>534,338</u>	<u>44,928</u>
Expenditures:				
Current:				
Economic and physical development				
Salaries and employee benefits	220,135	172,649	137,497	35,152
Other operating expenditures	241,166	283,015	213,773	69,242
Special events costs	400	2,920	2,519	401
Debt service:				
Principal	36,406	36,406	36,406	-
Interest	11,446	15,813	15,813	-
Total expenditures	<u>509,553</u>	<u>510,803</u>	<u>406,008</u>	<u>104,795</u>
Excess (deficiency) of revenues over (under) expenditures	(37,143)	(21,393)	128,330	149,723
Other financing sources:				
Appropriation of fund balance	37,143	21,393	-	(21,393)
Total other financing sources	<u>37,143</u>	<u>21,393</u>	<u>-</u>	<u>(21,393)</u>
Net changes in fund balances	-	-	128,330	128,330
Fund balances, beginning of year	<u>77,493</u>	<u>77,493</u>	<u>77,493</u>	<u>-</u>
Fund balances, end of year	<u>\$ 77,493</u>	<u>\$ 77,493</u>	<u>\$ 205,823</u>	<u>\$ 128,330</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, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 36,650	\$ 36,650	\$ 34,728	\$ (1,922)
Penalties and interest	100	100	140	40
Sales and use taxes	32,500	37,500	45,978	8,478
Special events income	-	-	500	500
Investment earnings	1,000	-	40	40
Miscellaneous	5,000	5,000	5,000	-
Total revenues	<u>75,250</u>	<u>79,250</u>	<u>86,386</u>	<u>7,136</u>
Expenditures:				
Current:				
Economic and physical development				
Salaries and employee benefits	60,256	47,007	45,467	1,540
Other operating expenditures	42,000	59,249	18,200	41,049
Total expenditures	<u>102,256</u>	<u>106,256</u>	<u>63,667</u>	<u>42,589</u>
Excess (deficiency) of revenues over (under) expenditures	(27,006)	(27,006)	22,719	49,725
Other financing sources:				
Appropriation of fund balance	27,006	27,006	-	(27,006)
Total other financing sources	<u>27,006</u>	<u>27,006</u>	<u>-</u>	<u>(27,006)</u>
Net changes in fund balances	-	-	22,719	22,719
Fund balances, beginning of year	<u>109,996</u>	<u>109,996</u>	<u>109,996</u>	<u>-</u>
Fund balances, end of year	<u>\$ 109,996</u>	<u>\$ 109,996</u>	<u>\$ 132,715</u>	<u>\$ 22,719</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, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Restricted intergovernmental	\$ 10,000	\$ 10,000	\$ 9,423	\$ (577)
Miscellaneous	11,000	11,000	6,690	(4,310)
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>16,113</u>	<u>(4,887)</u>
Expenditures:				
Current:				
Culture and recreation				
Operating expenditures	12,500	8,500	1,000	7,500
Public safety				
Operating expenditures	88,000	92,000	42,448	49,552
Total expenditures	<u>100,500</u>	<u>100,500</u>	<u>43,448</u>	<u>57,052</u>
Excess (deficiency) of revenues over (under) expenditures	(79,500)	(79,500)	(27,335)	52,165
Other financing sources:				
Appropriation of fund balance	79,500	79,500	-	(79,500)
Total other financing sources	<u>79,500</u>	<u>79,500</u>	<u>-</u>	<u>(79,500)</u>
Net changes in fund balances	-	-	(27,335)	(27,335)
Fund balances, beginning of year	<u>173,979</u>	<u>173,979</u>	<u>173,979</u>	<u>-</u>
Fund balances, end of year	<u>\$ 173,979</u>	<u>\$ 173,979</u>	<u>\$ 146,644</u>	<u>\$ (27,335)</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, 2021**

	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	34,993
Grant revenue - CARES	597,013	-	597,013	597,013
Grant revenue - FEMA	1,551,616	323,390	587,242	910,632
Grant revenue - NCDENR	582,379	416,002	-	416,002
Grant revenue - NCDOT	-	-	-	-
Other restricted intergovernmental	10,000	36,865	4,429	41,294
Miscellaneous	40,000	39,945	-	39,945
Interest earnings	-	-	5,550	5,550
Total revenues	<u>3,340,487</u>	<u>1,316,202</u>	<u>1,229,227</u>	<u>2,545,429</u>
Expenditures:				
Current:				
Police department				
Other operating expenditures	134,479	7,500	49,199	56,699
Fire department				
Salaries and employee benefits	2,147,707	431,187	1,518,789	1,949,976
Contingencies	922	-	-	-
Environmental protection				
Other operating expenditures	578,379	521,630	910	522,540
Contingencies	4,000	-	-	-
Economic and physical development				
Other operating expenditures	575,112	331,647	3,256	334,903
Capital outlay	-	265,833	22,704	288,537
Total expenditures	<u>3,440,599</u>	<u>1,557,797</u>	<u>1,594,858</u>	<u>3,152,655</u>
Deficiency of revenues under expenditures	(100,112)	(241,595)	(365,631)	(607,226)
Other financing sources (uses):				
Transfers in	565,187	578,865	442,330	1,021,195
Transfers out	(530,075)	(1,525)	-	(1,525)
Appropriation of fund balance	65,000	-	-	-
Total other financing sources (uses)	<u>100,112</u>	<u>577,340</u>	<u>442,330</u>	<u>1,019,670</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 335,745</u>	76,699	<u>\$ 412,444</u>
Fund balances, beginning of year			<u>335,745</u>	
Fund balances, end of year			<u>\$ 412,444</u>	

NON-MAJOR 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, 2021

	Nonmajor Enterprise Funds		
	Environmental		
	Services Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 24,230	\$ 59,921	\$ 84,151
Investments	91,893	227,255	319,148
Receivables, net:			
Accounts	220,158	101,335	321,493
Grants	2,649	-	2,649
Total current assets	<u>338,930</u>	<u>388,511</u>	<u>727,441</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	11,134	110,258	121,392
Depreciable, net of accumulated depreciation	567,707	665,549	1,233,256
Total capital assets, net	<u>578,841</u>	<u>775,807</u>	<u>1,354,648</u>
Total assets	<u>917,771</u>	<u>1,164,318</u>	<u>2,082,089</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	154,713	-	154,713
OPEB related items	59,337	-	59,337
Total deferred outflows of resources	<u>214,050</u>	<u>-</u>	<u>214,050</u>
LIABILITIES			
Current liabilities:			
Accounts payable	86,219	24,535	110,754
Accrued salaries and benefits	27,096	4,593	31,689
Accrued interest payable	109	53	162
Compensated absences, current	22,438	3,235	25,673
Current portion of long-term debt	66,630	39,057	105,687
Total current liabilities	<u>202,492</u>	<u>71,473</u>	<u>273,965</u>
Long-term liabilities:			
Compensated absences, less current portion	22,438	3,235	25,673
Long-term debt, less current portion	177,257	189,383	366,640
Net pension liability	272,241	-	272,241
Total OPEB liability	180,318	-	180,318
Total long-term liabilities	<u>652,254</u>	<u>192,618</u>	<u>844,872</u>
Total liabilities	<u>854,746</u>	<u>264,091</u>	<u>1,118,837</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	8,740	-	8,740
OPEB related items	2,421	-	2,421
Total deferred inflows of resources	<u>11,161</u>	<u>-</u>	<u>11,161</u>
NET POSITION			
Net investment in capital assets	334,954	547,367	882,321
Unrestricted	(69,040)	352,860	283,820
Total net position	<u>\$ 265,914</u>	<u>\$ 900,227</u>	<u>\$ 1,166,141</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, 2021

	<u>Nonmajor Enterprise Funds</u>		<u>Total</u>
	<u>Environmental</u>		
	<u>Services</u>	<u>Stormwater</u>	
	<u>Fund</u>	<u>Fund</u>	
OPERATING REVENUES			
Charges for services	\$ 1,325,233	\$ 652,269	\$ 1,977,502
Total operating revenues	<u>1,325,233</u>	<u>652,269</u>	<u>1,977,502</u>
OPERATING EXPENSES			
Waste collection and treatment	1,312,548	-	1,312,548
Stormwater	-	371,219	371,219
Depreciation	165,717	60,860	226,577
Total operating expenses	<u>1,478,265</u>	<u>432,079</u>	<u>1,910,344</u>
Operating income (loss)	(153,032)	220,190	67,158
NONOPERATING REVENUE (EXPENSES)			
Investment earnings (loss)	334	(93)	241
Intergovernmental revenue	10,686	37,292	47,978
Other nonoperating revenue	1,288	-	1,288
Gain on disposal of capital assets	8,000	-	8,000
Interest expense	(1,443)	(5,492)	(6,935)
Total nonoperating revenues	<u>18,865</u>	<u>31,707</u>	<u>50,572</u>
Change in net position	(134,167)	251,897	117,730
NET POSITION, beginning of year	<u>400,081</u>	<u>648,330</u>	<u>1,048,411</u>
NET POSITION, end of year	<u>\$ 265,914</u>	<u>\$ 900,227</u>	<u>\$ 1,166,141</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Nonmajor Enterprise Funds		
	Environmental		
	Services	Stormwater	Total
	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,270,112	\$ 601,165	\$ 1,871,277
Payments to suppliers and service providers	(398,184)	(231,277)	(629,461)
Payments to employees	(860,336)	(152,295)	(1,012,631)
Net cash provided by operating activities	<u>11,592</u>	<u>217,593</u>	<u>229,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (purchases of) investments	(31,634)	(167,089)	(198,723)
Interest received	477	9	486
Net cash used by investing activities	<u>(31,157)</u>	<u>(167,080)</u>	<u>(198,237)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(99,451)	(99,451)
Proceeds from sale of capital assets	8,000	-	8,000
Principal payments on long-term debt	(65,375)	(36,930)	(102,305)
Interest payments on long-term debt	(3,423)	(6,939)	(10,362)
Proceeds from issuance of long-term debt	-	40,761	40,761
Net cash used by capital and related financing activities	<u>(60,798)</u>	<u>(102,559)</u>	<u>(163,357)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other non-operating cash receipts	9,325	48,600	57,925
Net cash provided by noncapital financing activities	<u>9,325</u>	<u>48,600</u>	<u>57,925</u>
Net (decrease) in cash and cash equivalents	(71,038)	(3,446)	(74,484)
Cash and cash equivalents:			
Beginning of year	95,268	63,367	158,635
End of year	<u>\$ 24,230</u>	<u>\$ 59,921</u>	<u>\$ 84,151</u>
Classified as:			
Cash and cash equivalents	\$ 24,230	\$ 59,921	\$ 84,151
Total	<u>\$ 24,230</u>	<u>\$ 59,921</u>	<u>\$ 84,151</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (153,032)	\$ 220,190	\$ 67,158
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	165,717	60,860	226,577
(Increase) decrease in customer accounts receivable	(55,121)	(51,104)	(106,225)
Decrease in shared and refundable taxes receivable	2,604	1,591	4,195
Increase (decrease) in accounts payable	45,380	(7,950)	37,430
Decrease in accrued salaries and benefits	(12,799)	(4,202)	(17,001)
Decrease in compensated absences payable	(3,952)	(1,792)	(5,744)
Increase in net pension liability and related deferrals	17,995	-	17,995
Increase in total OPEB liability and related deferrals	4,800	-	4,800
Net cash provided (used) by operating activities	<u>\$ 11,592</u>	<u>\$ 217,593</u>	<u>\$ 229,185</u>

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Operating revenues:				
Charges for services				
Water sales	\$ 10,952,000	\$ 11,337,200	\$ 11,386,677	\$ 49,477
Sewer charges	5,785,300	5,350,300	5,425,656	75,356
Water and sewer taps	374,675	415,000	397,380	(17,620)
Miscellaneous revenues	313,700	431,290	532,367	101,077
Total operating revenues	<u>17,425,675</u>	<u>17,533,790</u>	<u>17,742,080</u>	<u>208,290</u>
Nonoperating revenues:				
Investment income	180,000	38,305	4,935	(33,370)
Miscellaneous	-	31,895	16,101	(15,794)
Total nonoperating revenues	<u>180,000</u>	<u>70,200</u>	<u>21,036</u>	<u>(49,164)</u>
Total revenues	<u>17,605,675</u>	<u>17,603,990</u>	<u>17,763,116</u>	<u>159,126</u>
Expenditures				
Information technology:				
Salaries and employee benefits	229,895	288,838	240,585	48,253
Contracted services	177,500	219,360	219,360	-
Supplies	12,500	9,818	9,816	2
Other departmental expenditures	317,004	449,230	449,187	43
Total information technology	<u>736,899</u>	<u>967,246</u>	<u>918,948</u>	<u>48,298</u>
Fleet maintenance:				
Salaries and employee benefits	146,527	158,981	150,009	8,972
Contracted services	4,536	436	-	436
Other departmental expenditures	6,293	7,402	6,306	1,096
Total fleet maintenance	<u>157,356</u>	<u>166,819</u>	<u>156,315</u>	<u>10,504</u>
Administration:				
Salaries and employee benefits	1,217,618	1,314,153	1,209,465	104,688
Contracted services	194,260	362,360	287,401	74,959
Supplies	14,500	13,712	13,538	174
Repairs and maintenance	8,000	5,891	5,800	91
Capital outlay	70,000	183,984	183,983	1
Health and wellness allocation	95,599	95,599	95,599	-
Other departmental expenditures	384,029	325,582	278,394	47,188
Total administration	<u>1,984,006</u>	<u>2,301,281</u>	<u>2,074,180</u>	<u>227,101</u>
Finance:				
Salaries and employee benefits	942,071	953,643	839,139	114,504
Contracted services	129,130	123,931	117,983	5,948
Supplies	11,025	9,812	8,407	1,405
Other departmental expenditures	277,749	280,857	271,088	9,769
Total finance	<u>1,359,975</u>	<u>1,368,243</u>	<u>1,236,617</u>	<u>131,626</u>
Engineering:				
Salaries and employee benefits	425,389	660,030	563,301	96,729
Contracted services	-	46,662	43,862	2,800
Capital outlay	22,855	-	-	-
Other departmental expenditures	126,545	32,249	31,091	1,158
Total engineering	<u>574,789</u>	<u>738,941</u>	<u>638,254</u>	<u>100,687</u>
Facilities maintenance:				
Salaries and employee benefits	635,873	662,193	576,115	86,078
Contracted services	124,000	92,050	91,536	514
Supplies	58,000	53,580	53,580	-
Repairs and maintenance	259,000	181,382	176,150	5,232
Capital outlay	595,000	174,853	138,612	36,241
Other departmental expenditures	330,126	365,162	336,617	28,545
Total facilities maintenance	<u>2,001,999</u>	<u>1,529,220</u>	<u>1,372,610</u>	<u>156,610</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Water treatment plant:				
Salaries and employee benefits	\$ 858,410	\$ 911,752	\$ 823,835	\$ 87,917
Contracted services	196,700	67,342	65,613	1,729
Utilities	351,750	278,750	277,402	1,348
Chemicals	480,000	471,514	471,514	-
Supplies	77,225	73,098	62,956	10,142
Repairs and maintenance	108,250	96,981	95,211	1,770
Capital outlay	82,000	79,460	78,482	978
Other departmental expenditures	183,221	166,438	163,027	3,411
Total water treatment plant	<u>2,337,556</u>	<u>2,145,335</u>	<u>2,038,040</u>	<u>107,295</u>
Operations support:				
Salaries and employee benefits	650,409	705,614	654,943	50,671
Supplies	39,500	38,559	37,830	729
Repairs and maintenance	12,500	26,825	26,596	229
Other departmental expenditures	61,671	61,761	56,680	5,081
Total operations support	<u>764,080</u>	<u>832,759</u>	<u>776,049</u>	<u>56,710</u>
Water distribution:				
Salaries and employee benefits	1,207,924	1,286,294	1,283,446	2,848
Contracted services	205,000	33,357	33,356	1
Supplies	140,000	108,790	108,789	1
Repairs and maintenance	450,000	446,523	444,618	1,905
Capital outlay	145,000	404,450	404,449	1
Other departmental expenditures	140,132	121,012	115,870	5,142
Total water distribution	<u>2,288,056</u>	<u>2,400,426</u>	<u>2,390,528</u>	<u>9,898</u>
Wastewater treatment plant:				
Salaries and employee benefits	652,414	701,414	613,283	88,131
Contracted services	50,300	40,219	39,194	1,025
Sludge management	257,000	272,000	271,058	942
Utilities	340,250	349,987	349,087	900
Supplies	64,100	76,771	44,400	32,371
Repairs and maintenance	238,500	231,507	218,123	13,384
Capital outlay	32,000	-	-	-
Other departmental expenditures	63,233	57,649	64,131	(6,482)
Total wastewater treatment plant	<u>1,697,797</u>	<u>1,729,547</u>	<u>1,599,276</u>	<u>130,271</u>
Wastewater collection:				
Salaries and employee benefits	1,024,989	990,580	841,809	148,771
Contracted services	80,000	104,382	69,982	34,400
Supplies	100,000	121,348	104,778	16,570
Repairs and maintenance	322,700	275,232	243,902	31,330
Capital outlay	47,500	89,000	53,975	35,025
Other departmental expenditures	125,554	110,848	116,053	(5,205)
Total wastewater collection	<u>1,700,743</u>	<u>1,691,390</u>	<u>1,430,499</u>	<u>260,891</u>
Debt service:				
Principal	2,458,456	2,364,317	2,364,317	-
Interest and fiscal charges	293,685	387,824	410,502	(22,678)
Total debt service	<u>2,752,141</u>	<u>2,752,141</u>	<u>2,774,819</u>	<u>(22,678)</u>
Total expenditures	<u>18,355,397</u>	<u>18,623,348</u>	<u>17,406,135</u>	<u>1,217,213</u>
Excess (deficiency) of revenues over (under) expenditures	(749,722)	(1,019,358)	356,981	1,376,339

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Issuance of long-term debt	\$ -	\$ -	\$ 89,668	\$ 89,668
Transfers out	(100,000)	(177,362)	(177,362)	-
Proceeds from the sale of capital assets	-	-	30,965	30,965
Appropriation of net position	849,722	1,196,720	-	(1,196,720)
Total other financing sources (uses)	<u>749,722</u>	<u>1,019,358</u>	<u>(56,729)</u>	<u>(1,076,087)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	300,252	<u>\$ 300,252</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			(89,668)	
Principal payments on long-term debt			2,364,317	
Change in accrued interest payable			7,287	
Capital outlay			839,559	
Donated capital assets			1,989,676	
Depreciation expense			(3,651,468)	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(271,898)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(62,487)	
Change in compensated absences			50,968	
Change in net position - Water and Sewer Capital Reserve Fund			<u>(140,000)</u>	
Change in net position (GAAP basis) - Water and Sewer Fund			<u>\$ 1,336,538</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Operating revenues:				
Charges for services				
Residential	\$ 1,120,000	\$ 1,112,500	\$ 1,139,005	\$ 26,505
Commercial	170,000	158,278	186,228	27,950
Total operating revenues	<u>1,290,000</u>	<u>1,270,778</u>	<u>1,325,233</u>	<u>54,455</u>
Nonoperating revenues:				
Recycling revenue	9,000	5,340	10,686	5,346
Investment income	8,000	985	334	(651)
Miscellaneous	1,800	16,070	1,288	(14,782)
Total nonoperating revenues	<u>18,800</u>	<u>22,395</u>	<u>12,308</u>	<u>(10,087)</u>
Total revenues	<u>1,308,800</u>	<u>1,293,173</u>	<u>1,337,541</u>	<u>44,368</u>
Expenditures				
Waste collection and treatment:				
Salaries and employee benefits	908,837	880,040	843,398	36,642
Landfill tipping fees	210,000	217,109	217,109	-
Contracted services	42,000	36,155	36,154	1
Repairs and maintenance	65,000	94,674	94,674	-
Health and wellness allocation	-	4,140	4,139	1
Other departmental expenditures	106,388	102,473	98,232	4,241
Total waste collection and treatment	<u>1,332,225</u>	<u>1,334,591</u>	<u>1,293,706</u>	<u>40,885</u>
Debt service:				
Principal	69,961	65,376	65,375	1
Interest and fiscal charges	1,831	3,423	3,423	-
Total debt service	<u>71,792</u>	<u>68,799</u>	<u>68,798</u>	<u>1</u>
Total expenditures	<u>1,404,017</u>	<u>1,403,390</u>	<u>1,362,504</u>	<u>40,886</u>
Excess (deficiency) of revenues over (under) expenditures	(95,217)	(110,217)	(24,963)	85,254
Other Financing Sources				
Appropriation of net position	95,217	110,217	-	(110,217)
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(24,963)</u>	<u>\$ (24,963)</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			65,375	
Change in accrued interest payable			1,981	
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources			(17,995)	
Change in total OPEB liability and related deferred outflows of resources and deferred inflows of resources			(4,800)	
Change in compensated absences			3,952	
Gain on sale of capital assets			8,000	
Depreciation expense			(165,717)	
Change in net position (GAAP basis) - Environmental Services Fund			<u>\$ (134,167)</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Operating revenues:				
Charges for services				
Stormwater fees	\$ 541,040	\$ 612,455	\$ 652,269	\$ 39,814
Total operating revenues	541,040	612,455	652,269	39,814
Nonoperating revenues:				
Investment income (loss)	750	50	(93)	(143)
Total nonoperating revenues	750	50	(93)	(143)
Total revenues	541,790	612,505	652,176	39,671
Expenditures				
Stormwater:				
Salaries and employee benefits	128,549	194,361	148,093	46,268
Contracted services	105,500	223,175	188,385	34,790
Repairs and maintenance	180	9,537	9,424	113
Other departmental expenditures	40,236	34,042	20,289	13,753
Total stormwater	274,465	461,115	366,191	94,924
Debt service:				
Principal	32,992	36,931	36,930	1
Interest and fiscal charges	641	7,939	7,938	1
Total debt service	33,633	44,870	44,868	2
Capital outlay	267,325	148,345	67,979	80,366
Total expenditures	575,423	654,330	479,038	175,292
Excess (deficiency) of revenues over (under) expenditures	(33,633)	(41,825)	173,138	214,963
Other Financing Sources				
Issuance of long-term debt	-	-	40,761	40,761
Appropriation of net position	33,633	41,825	-	(41,825)
Total other financing sources	33,633	41,825	40,761	(1,064)
Net change in net position	\$ -	\$ -	213,899	\$ 213,899
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			(40,761)	
Principal payments on long-term debt			36,930	
Change in accrued interest payable			1,446	
Change in compensated absences			1,792	
Purchases of capital assets			99,451	
Depreciation expense			(60,860)	
Change in net position (GAAP basis) - Stormwater Fund			\$ 251,897	

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 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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total To Date
Revenues:				
Grant revenue - CDBG	\$ 1,040,500	\$ 1,040,500	\$ -	\$ 1,040,500
Grant revenue - NCDEQ	150,000	150,000	-	150,000
Grant revenue - NCDOC	226,764	190,686	-	190,686
Reimbursements	374,600	374,675	-	374,675
Local contributions	111,936	8,096	-	8,096
Investment income (loss)	14,252	16,446	(139)	16,307
Total revenues	<u>1,918,052</u>	<u>1,780,403</u>	<u>(139)</u>	<u>1,780,264</u>
Expenditures:				
Current:				
Salaries and employee benefits				
Professional services	17,823	17,822	-	17,822
Engineering services	154,551	164,550	268,598	433,148
Debt service:	637,400	218,485	-	218,485
Debt issuance costs	220,053	17,834,350	-	17,834,350
Capital outlay	60,341,022	220,053	9,011,927	9,231,980
Total expenditures	<u>61,370,849</u>	<u>18,455,260</u>	<u>9,280,525</u>	<u>27,735,785</u>
Deficiency of revenues under expenditures	(59,452,797)	(16,674,857)	(9,280,664)	(25,955,521)
Other financing sources (uses):				
Transfers in	15,341,181	20,001,383	317,362	20,318,745
Transfers out	(7,192,258)	(3,772,851)	-	(3,772,851)
Issuance of long-term debt	51,303,874	8,619,970	4,464,332	13,084,302
Total other financing sources (uses)	<u>59,452,797</u>	<u>24,848,502</u>	<u>4,781,694</u>	<u>29,630,196</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,173,645</u>	<u>\$ (4,498,970)</u>	<u>\$ 3,674,675</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, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date
Revenues:				
Grant revenue - EPA	\$ 100,000	\$ 53,986	\$ 37,292	\$ 91,278
Total revenues	<u>100,000</u>	<u>53,986</u>	<u>37,292</u>	<u>91,278</u>
Expenditures:				
Capital outlay	388,149	335,711	37,292	373,003
Total expenditures	<u>388,149</u>	<u>335,711</u>	<u>37,292</u>	<u>373,003</u>
Deficiency of revenues under expenditures	(288,149)	(281,725)	-	(281,725)
Other financing sources:				
Transfers in	288,149	280,648	-	280,648
Total other financing sources	<u>288,149</u>	<u>280,648</u>	<u>-</u>	<u>280,648</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,077)</u>	<u>\$ -</u>	<u>\$ (1,077)</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, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Operating revenues:				
Charges for services	\$ 268,380	\$ 317,380	\$ 298,738	\$ 18,642
Miscellaneous	14,100	16,500	18,456	1,956
Total revenues	<u>282,480</u>	<u>333,880</u>	<u>317,194</u>	<u>20,598</u>
Expenditures:				
Current:				
Employee benefits	282,480	344,880	344,203	677
Total expenditures	<u>282,480</u>	<u>344,880</u>	<u>344,203</u>	<u>677</u>
Deficiency of revenues under expenditures	-	(11,000)	(27,009)	(16,009)
Other financing sources:				
Budgeted use of net position	-	11,000	-	(11,000)
Total other financing sources	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Net changes in net position	-	-	(27,009)	(27,009)
Net position, beginning of year	<u>134,619</u>	<u>134,619</u>	<u>134,619</u>	<u>-</u>
Net position, end of year	<u>\$ 134,619</u>	<u>\$ 134,619</u>	<u>\$ 107,610</u>	<u>\$ (27,009)</u>

PROPERTY TAXES

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND (CITY-WIDE)
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Original Levy:</u>	<u>City-wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Property at current year's rate	\$ 2,200,795,205	0.49	\$ 10,783,897	\$ 9,989,901	\$ 793,996
Penalties	-		6,678	6,678	-
Total	<u>2,200,795,205</u>		<u>10,790,575</u>	<u>9,996,579</u>	<u>793,996</u>
Discoveries:					
Current year taxes	6,231,837	0.49	30,536	30,536	
Penalties	-		672	672	
			<u>31,208</u>	<u>31,208</u>	
Releases:					
Current year taxes	(12,065,306)	0.49	(59,120)	(59,120)	
Penalties	-		(731)	(731)	
			<u>(59,851)</u>	<u>(59,851)</u>	
Total property valuation	<u>\$ 2,194,961,736</u>				
Net levy			10,761,932	9,967,936	793,996
Uncollected taxes at June 30, 2021			<u>118,960</u>	<u>118,960</u>	<u>6,319</u>
Current year's taxes collected			<u>\$ 10,642,972</u>	<u>\$ 9,848,976</u>	<u>\$ 787,677</u>
Current levy collection percentage			<u>98.89%</u>	<u>98.81%</u>	<u>99.20%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
AS OF JUNE 30, 2021**

Fiscal year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 10,761,932	\$ 10,642,972	\$ 118,960
2019-2020	143,079	-	91,296	51,783
2018-2019	66,981	-	2,725	64,256
2017-2018	34,497	-	404	34,093
2016-2017	20,065	-	404	19,661
2015-2016	23,738	-	1,158	22,580
2014-2015	14,471	-	(3,352)	17,823
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	2,591	-	-	2,591
	\$ 403,304	\$ 10,761,932	\$ 10,735,607	429,629
				Less allowance for uncollectible ad valorem taxes receivable 190,837
				Ad valorem taxes receivable, net \$ 238,792
				Reconciliation with revenues:
				Ad valorem taxes - General Fund \$ 10,751,559
				Penalties collected on ad valorem taxes 10,116
				Reconciling items:
				Interest collected (26,068)
				Discounts allowed -
				Total collections and credits \$ 10,735,607

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
MAIN STREET TAX DISTRICT
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Original Levy:</u>	<u>City-wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Property at current year's rate	\$ 116,805,018	0.26	\$ 303,693	\$ 299,610	\$ 4,083
Penalties	-		4,789	4,789	-
Total	<u>116,805,018</u>		<u>308,482</u>	<u>304,399</u>	<u>4,083</u>
Discoveries:					
Current year taxes	-	0.26	-	-	
Penalties	-		-	-	
Releases:					
Current year taxes	(1,596,154)	0.26	(4,150)	(4,150)	
Penalties	-		-	-	
Total property valuation	<u>\$ 115,208,864</u>				
Net levy			304,332	300,249	4,083
Uncollected taxes at June 30, 2021			<u>4,017</u>	<u>4,017</u>	<u>-</u>
Current year's taxes collected			<u>\$ 300,315</u>	<u>\$ 296,232</u>	<u>\$ 4,083</u>
Current levy collection percentage			<u>98.68%</u>	<u>98.66%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
MAIN STREET TAX DISTRICT
AS OF JUNE 30, 2021**

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 304,332	\$ 300,315	\$ 4,017
2019-2020	3,148	-	(515)	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>\$ 18,787</u>	<u>\$ 304,332</u>	<u>\$ 299,800</u>	<u>23,319</u>
				3,674
				Ad valorem taxes receivable, net \$ 19,645
				Reconciliation with revenues:
				Ad valorem taxes - Main Street Tax District Fund \$ 302,241
				Penalties collected on ad valorem taxes 574
				Reconciling items:
				Interest collected (3,015)
				Discounts allowed -
				Total collections and credits \$ 299,800

CITY OF HENDERSONVILLE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
SEVENTH AVENUE TAX DISTRICT
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Original Levy:</u>	<u>City-wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Property at current year's rate	\$ 20,954,238	0.17	\$ 35,622	\$ 33,000	\$ 2,622
Penalties	-		160	160	-
Total	<u>20,954,238</u>		<u>35,782</u>	<u>33,160</u>	<u>2,622</u>
Discoveries:					
Current year taxes	-	0.17	-	-	-
Penalties	-		-	-	-
Releases:					
Current year taxes	(47,059)	0.17	(80)	(80)	-
Penalties	-		-	-	-
Total property valuation	<u>\$ 20,907,179</u>				
Net levy			35,702	33,080	2,622
Uncollected taxes at June 30, 2021			1,487	1,487	9
Current year's taxes collected			<u>\$ 34,215</u>	<u>\$ 31,593</u>	<u>\$ 2,613</u>
Current levy collection percentage			<u>95.83%</u>	<u>95.50%</u>	<u>99.66%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
SEVENTH AVENUE TAX DISTRICT
AS OF JUNE 30, 2021**

Fiscal year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 35,702	\$ 34,215	\$ 1,487
2019-2020	1,174	-	1,174	-
2018-2019	316	-	254	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
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,093	\$ 35,702	\$ 35,643	2,152
				<hr/>
				Less allowance for uncollectible ad valorem taxes receivable
				141
				<hr/>
				Ad valorem taxes receivable, net
				\$ 2,011
				<hr/>
				Reconciliation with revenues:
				Ad valorem taxes - Main Street Tax District Fund
			\$	34,868
				Penalties collected on ad valorem taxes
				34
				<hr/>
				Reconciling items:
				Interest collected
				-
				Discounts allowed
				741
				<hr/>
				Total collections and credits
				\$ 35,643
				<hr/>

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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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	112
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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	116
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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	120
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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	122
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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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 17,530,422	\$ 17,077,486	\$ 17,860,656	\$ 16,304,268	\$ 18,615,092	\$ 19,614,200	\$ 19,926,250	\$ 21,020,174	\$ 20,335,763	\$ 21,035,571
Restricted	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753	7,139,251
Unrestricted	4,376,180	1,970,572	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633	1,110,510	982,519	(2,700,317)
Total governmental activities net position	<u>\$ 24,864,375</u>	<u>\$ 24,910,553</u>	<u>\$ 24,505,775</u>	<u>\$ 24,037,536</u>	<u>\$ 26,948,761</u>	<u>\$ 26,631,012</u>	<u>\$ 25,862,352</u>	<u>\$ 25,416,559</u>	<u>\$ 25,058,035</u>	<u>\$ 25,474,505</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 51,057,598	\$ 51,168,791	\$ 54,082,358	\$ 52,399,169	\$ 50,835,364	\$ 51,388,724	\$ 56,252,393	\$ 63,008,624	\$ 68,316,330	\$ 67,043,265
Unrestricted	23,526,746	25,322,705	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513	13,368,475	10,189,499	12,545,384
Total business-type activities net position	<u>\$ 74,584,344</u>	<u>\$ 76,491,496</u>	<u>\$ 78,534,867</u>	<u>\$ 78,429,785</u>	<u>\$ 76,606,414</u>	<u>\$ 74,120,467</u>	<u>\$ 74,983,906</u>	<u>\$ 76,377,099</u>	<u>\$ 78,505,829</u>	<u>\$ 79,588,649</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 68,588,020	\$ 68,246,277	\$ 71,943,014	\$ 68,703,437	\$ 69,450,456	\$ 71,002,924	\$ 76,178,643	\$ 84,028,798	\$ 88,652,093	\$ 88,078,836
Restricted	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875	3,739,753	7,139,251
Unrestricted	27,902,926	27,293,277	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146	14,478,985	11,172,018	9,845,067
Total primary government net position	<u>\$ 99,448,719</u>	<u>\$ 101,402,049</u>	<u>\$ 103,040,642</u>	<u>\$ 102,467,321</u>	<u>\$ 103,555,175</u>	<u>\$ 100,751,479</u>	<u>\$ 100,846,258</u>	<u>\$ 101,793,658</u>	<u>\$ 103,563,864</u>	<u>\$ 105,063,154</u>

From: Statement of Net Position

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EXPENSES										
Governmental activities:										
General Government	\$ 2,301,254	\$ 2,359,071	\$ 2,374,428	\$ 2,813,625	\$ 2,583,313	\$ 3,157,971	\$ 3,054,736	\$ 3,885,983	\$ 3,798,995	\$ 3,815,963
Public Safety	6,910,168	6,281,514	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808	9,043,813	10,317,127	11,300,514
Transportation	2,116,715	2,046,441	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903	2,559,392	2,966,740	3,042,198
Environmental Protection	589,902	596,425	626,450	484,528	21,508	139,054	240,541	95,522	15,898	910
Economic and Physical Development	405,416	311,086	455,811	428,450	520,035	564,691	721,195	521,007	560,800	467,382
Cultural and Recreational	237,833	200,928	215,403	537,955	968,892	1,010,569	960,189	864,375	913,075	848,292
Interest on Long-term Obligations	197,996	231,074	346,513	318,140	295,850	263,137	274,831	253,558	325,760	453,291
Total governmental activities	<u>12,759,284</u>	<u>12,026,539</u>	<u>12,998,475</u>	<u>14,080,308</u>	<u>14,252,039</u>	<u>15,361,729</u>	<u>16,254,203</u>	<u>17,223,650</u>	<u>18,898,395</u>	<u>19,928,550</u>
Business-type activities:										
Water and sewer fund	11,291,143	12,326,878	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569	16,069,699	16,993,598	18,449,631
Environmental services fund	1,064,379	993,094	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440	1,428,563	1,519,238	1,479,708
Stormwater fund	-	-	-	-	-	-	177,649	275,402	311,497	437,571
Total business-type activities expenses	<u>12,355,522</u>	<u>13,319,972</u>	<u>14,160,097</u>	<u>17,225,873</u>	<u>18,670,373</u>	<u>19,823,469</u>	<u>16,569,658</u>	<u>17,773,664</u>	<u>18,824,333</u>	<u>20,366,910</u>
Total primary government expenses	<u>\$ 25,114,806</u>	<u>\$ 25,346,511</u>	<u>\$ 27,158,572</u>	<u>\$ 31,306,181</u>	<u>\$ 32,922,412</u>	<u>\$ 35,185,198</u>	<u>\$ 32,823,861</u>	<u>\$ 34,997,314</u>	<u>\$ 37,722,728</u>	<u>\$ 40,295,460</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	\$ -	\$ -	\$ -	\$ 39,153	\$ 85,995	\$ 38,379	\$ 25,639	\$ 40,272	\$ 37,730	\$ 65,547
Public Safety	156,625	219,158	217,156	76,401	217,039	295,562	468,933	390,797	251,510	177,686
Transportation	83,540	75,042	98,555	-	-	-	-	153,295	200,070	-
Parks and Drainage	23,500	5,500	16,000	-	-	-	-	-	-	-
Cultural and Recreational	160,737	162,593	168,084	323,572	412,311	429,214	363,692	292,418	273,800	301,004
Operating grants and contributions	925,970	646,346	433,681	680,540	722,754	807,606	703,076	1,338,803	1,272,272	1,860,657
Capital grants and contributions	390,000	-	60,079	53,783	1,073,002	565,917	561,531	271,254	-	699,285
Total governmental activities program revenues	<u>1,740,372</u>	<u>1,108,639</u>	<u>993,555</u>	<u>1,173,449</u>	<u>2,511,101</u>	<u>2,136,678</u>	<u>2,122,871</u>	<u>2,486,839</u>	<u>2,035,382</u>	<u>3,104,179</u>
Business-type activities:										
Charges for services:										
Water and sewer	14,031,234	13,708,469	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817	16,067,138	16,196,439	17,742,080
Environmental services fund	868,123	928,295	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775	1,221,473	1,237,818	1,325,233
Stormwater fund	-	-	-	-	-	-	241,568	341,334	378,635	652,269
Grants and contributions	122,019	-	580,014	1,177,512	46,537	679,696	1,820,530	1,421,287	2,935,574	2,055,043
Total business-type activities program revenues	<u>15,021,376</u>	<u>14,636,764</u>	<u>15,782,247</u>	<u>17,036,217</u>	<u>16,736,659</u>	<u>17,176,525</u>	<u>18,503,690</u>	<u>19,051,232</u>	<u>20,748,466</u>	<u>21,774,625</u>
Total primary government program revenues	<u>\$ 16,761,748</u>	<u>\$ 15,745,403</u>	<u>\$ 16,775,802</u>	<u>\$ 18,209,666</u>	<u>\$ 19,247,760</u>	<u>\$ 19,313,203</u>	<u>\$ 20,626,561</u>	<u>\$ 21,538,071</u>	<u>\$ 22,783,848</u>	<u>\$ 24,878,804</u>
(continued)										

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	\$ (11,018,912)	\$ (10,917,900)	\$ (12,004,920)	\$ (12,906,859)	\$ (11,740,938)	\$ (13,225,051)	\$ (14,131,332)	\$ (14,736,811)	\$ (16,863,013)	\$ (16,824,371)
Business-type activities	2,665,854	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
Total primary government net expense	<u>\$ (8,353,058)</u>	<u>\$ (9,601,108)</u>	<u>\$ (10,382,770)</u>	<u>\$ (13,096,515)</u>	<u>\$ (13,674,652)</u>	<u>\$ (15,871,995)</u>	<u>\$ (12,197,300)</u>	<u>\$ (13,459,243)</u>	<u>\$ (14,938,880)</u>	<u>\$ (15,416,656)</u>
GENERAL REVENUES										
Governmental activities:										
Property Taxes	\$ 7,020,873	\$ 7,043,951	\$ 7,289,030	\$ 7,745,067	\$ 8,084,440	\$ 8,302,439	\$ 8,563,585	\$ 9,108,913	\$ 10,887,215	\$ 11,319,866
Sales & Use Tax	2,257,061	2,404,610	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984	3,427,281	3,807,868	4,597,838
Other taxes	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,605	283,418	473,363
Franchise Taxes	1,277,026	1,298,877	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448	1,281,328	1,218,896	1,268,343
Restricted Intergovernmental Revenue	1,393,807	746,012	379,744	-	-	-	-	-	-	-
Permits and Fees	21,893	49,630	71,455	177,883	261,890	245,055	239,548	264,151	-	-
Sales and Services	269,352	245,360	-	-	-	-	-	-	-	-
Investment Earnings	15,046	11,245	16,374	53,142	117,250	45,477	60,808	220,110	121,167	16,594
Miscellaneous	135,760	122,713	68,735	234,357	335,338	293,332	337,144	211,310	155,925	168,047
Transfers	-	-	(228,720)	-	138,947	26,474	534,955	336,250	30,000	-
Special Items	-	-	-	-	-	-	-	(569,930)	-	-
Total governmental activities	<u>12,936,997</u>	<u>12,453,998</u>	<u>11,600,142</u>	<u>12,675,434</u>	<u>13,426,826</u>	<u>13,391,824</u>	<u>14,222,016</u>	<u>14,291,018</u>	<u>16,504,489</u>	<u>17,844,051</u>
Business-type activities:										
Investment earnings	18,426	15,033	34,318	157,767	277,173	85,509	106,643	331,817	164,081	5,038
Miscellaneous	17,332	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
Transfers	100,880	100,880	228,720	-	(138,947)	(26,474)	(534,955)	(336,250)	(30,000)	-
Total business-type activities	<u>136,638</u>	<u>125,538</u>	<u>421,221</u>	<u>249,573</u>	<u>202,727</u>	<u>160,724</u>	<u>(231,816)</u>	<u>115,625</u>	<u>204,597</u>	<u>46,553</u>
Total primary government	<u>\$ 13,073,635</u>	<u>\$ 12,579,536</u>	<u>\$ 12,021,363</u>	<u>\$ 12,925,007</u>	<u>\$ 13,629,553</u>	<u>\$ 13,552,548</u>	<u>\$ 13,990,200</u>	<u>\$ 14,406,643</u>	<u>\$ 16,709,086</u>	<u>\$ 17,890,604</u>
CHANGE IN NET POSITION										
Governmental activities	\$ 1,918,085	\$ 1,536,098	\$ (404,778)	\$ (231,425)	\$ 1,685,888	\$ 166,773	\$ 90,684	\$ (445,793)	\$ (358,524)	\$ 1,019,680
Business-type activities	2,802,492	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
Total Change in Net Position	<u>\$ 4,720,577</u>	<u>\$ 2,978,428</u>	<u>\$ 1,638,593</u>	<u>\$ (171,508)</u>	<u>\$ (45,099)</u>	<u>\$ (2,319,447)</u>	<u>\$ 1,792,900</u>	<u>\$ 947,400</u>	<u>\$ 1,770,206</u>	<u>\$ 2,473,948</u>

From: Statement of Activities

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 8,805	\$ 63,057	\$ 474,265	\$ 461,013	\$ 72,783	\$ 104,022	\$ 83,644
Restricted for Stabilization by State Statute	1,288,518	805,835	925,946	1,058,260	1,790,318	1,830,006	2,513,576	2,117,460	2,499,480	6,091,937
Restricted for Public Safety	114,910	97,471	131,935	115,235	-	-	-	-	-	-
Restricted for Streets	262,335	289,674	-	-	-	-	-	-	-	-
Restricted for Economic Development	-	-	7,906	19,577	-	-	-	-	-	-
Assigned for Subsequent Year's Expenditures	881,240	1,318,210	1,122,300	701,672	436,981	1,017,696	612,000	713,196	1,257,155	1,261,744
Unassigned	5,822,117	6,410,105	6,207,146	6,200,178	5,091,043	4,326,041	3,956,453	4,469,087	4,691,912	2,199,122
Total general fund	8,369,120	8,921,295	8,395,233	8,103,727	7,381,399	7,648,008	7,543,042	7,372,526	8,552,569	9,636,447
All other governmental funds										
Nonspendable	-	-	-	-	491	12,680	1,000	-	629,506	368
Restricted for Stabilization by State Statute	253,900	11,254	69,407	25,550	387,151	112,353	144,619	760,904	930,323	-
Restricted for General Government	-	-	-	-	1,428	3,689	424,000	3,470	-	-
Restricted for Economic Development	66,650	42,765	55,106	73,782	135,136	173,511	58,154	57,572	68,751	900,670
Restricted for Public Safety	-	3,191,465	189,615	52,786	110,261	43,673	94,610	118,458	80,206	146,644
Restricted for Cultural and Recreation	-	-	-	-	-	4,687	3,030	-	14,273	-
Restricted for Transportation	971,460	1,339,191	958,013	956,917	1,132,835	877,277	1,300,480	214,135	-	-
Restricted for Capital Projects	-	-	-	-	-	-	-	-	9,239,540	-
Committed - Organic Garden	-	-	-	-	-	3,230	3,230	3,230	3,230	-
Assigned - Subsequent Year's Expenditures	57,000	84,840	46,000	7,531	548,148	439,020	89,307	135,109	132,125	-
Assigned - Debt Service	-	-	-	-	508,419	146,344	-	-	-	-
Unassigned	(278,172)	-	-	-	(373,383)	(205,128)	(827,181)	(362,698)	(531,695)	(943,457)
Total All Other Governmental Funds	1,070,838	4,669,515	1,318,141	1,116,566	2,450,486	1,611,336	1,291,249	930,180	10,566,259	104,225
Total All Governmental Funds	\$ 9,439,958	\$ 13,590,810	\$ 9,713,374	\$ 9,220,293	\$ 9,831,885	\$ 9,259,344	\$ 8,834,291	\$ 8,302,706	\$ 19,118,828	\$ 9,740,672

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES										
Property Tax	\$ 7,020,873	\$ 7,043,951	\$ 7,319,539	\$ 7,666,438	\$ 8,096,500	\$ 8,232,001	\$ 8,573,856	\$ 9,132,571	\$ 10,883,687	\$ 11,088,668
Other Taxes	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,604	10,895	9,888
Unrestricted Intergovernmental	3,534,087	3,703,487	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053	5,090,200	5,539,666	6,333,234
Restricted Intergovernmental	1,393,807	746,012	595,052	609,063	1,757,512	1,303,087	949,686	1,534,819	889,022	1,858,851
Permits and Fees	21,893	49,630	48,088	49,602	103,712	143,613	257,704	412,876	399,737	470,766
Sales and Services	269,352	245,360	414,073	480,028	566,479	518,672	430,673	365,557	341,043	264,116
Investment Earnings	15,046	11,966	16,335	53,094	117,250	45,476	60,808	220,109	121,167	16,594
Miscellaneous	135,760	141,763	272,522	188,331	272,567	301,644	548,588	223,679	133,676	165,119
Total revenues	12,936,997	12,473,769	12,830,040	13,707,246	15,712,532	15,376,848	15,656,912	16,991,415	18,318,893	20,207,236
EXPENDITURES										
Current:										
General government	2,153,295	2,374,576	2,228,056	3,184,950	2,441,963	2,843,232	2,793,058	3,587,116	3,314,528	3,677,000
Public Safety	6,322,638	6,999,222	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468	8,229,430	8,981,546	10,056,460
Transportation	3,752,372	2,994,120	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504	1,971,674	2,113,102	2,395,137
Environmental Protection	495,238	463,889	547,571	9,107	21,508	139,054	240,541	95,522	15,898	910
Economic & Physical Development	405,416	310,160	453,223	431,801	510,737	542,179	699,373	502,947	533,430	443,416
Cultural and Recreational	237,833	200,928	215,403	715,098	803,433	818,336	737,169	644,646	642,670	879,309
Capital Outlay	-	-	-	-	1,993,434	2,257,810	1,368,877	4,806,713	2,909,871	11,797,516
Debt Service:										
Principal	423,333	423,333	723,333	723,333	830,273	832,133	836,995	631,138	793,074	887,105
Interest and Fees	200,890	185,869	352,972	324,613	300,938	270,328	231,874	237,879	277,965	484,965
Bond issuance costs	-	-	-	-	-	-	29,550	-	36,933	-
Total expenditures	13,991,015	13,952,097	16,478,756	14,517,990	15,695,806	16,683,690	16,699,409	20,707,065	19,619,017	30,621,818
Excess of revenues over (under) expenditures	(1,054,018)	(1,478,328)	(3,648,716)	(810,744)	16,726	(1,306,842)	(1,042,497)	(3,715,650)	(1,300,124)	(10,414,582)

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OTHER FINANCING SOURCES (USES)										
Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,352,000	\$ -	\$ 11,500,000	\$ -
Proceeds of Debt - Notes Payable	-	6,000,000	-	242,500	78,533	655,000	-	2,965,100	-	768,161
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
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	(285,270)	(269,940)	(127,840)	-	-	-	-	378,250	-	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	-	138,947	26,474	625,539	(42,000)	30,000	-
Stormwater Fund	-	-	-	-	-	-	(90,584)	-	-	-
Health & Welfare Fund	(81,640)	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	303,840	293,970	-	-	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	(1,100,266)	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	(27,600)	-	-	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	100,000	100,000	100,000	100,000	-	-	-	-	-	-
Main Street Tax District	-	-	-	(100,000)	-	-	-	-	-	-
Main Street Tax District - Main Street Project	-	(45,000)	189,046	-	-	-	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(23,390)	(38,080)	(37,470)	-	-	-	-	-	-	-
Rails-to-Trails Project Grant Fund	(16,785)	-	-	-	-	-	-	-	-	-
	(1,204,391)	5,912,470	22,856	317,663	315,988	734,301	617,444	3,368,337	12,116,246	1,036,426
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (184,272)	\$ -	\$ -
Net change in fund balances	\$ (2,258,409)	\$ 4,434,142	\$ (3,625,860)	\$ (493,081)	\$ 332,714	\$ (572,541)	\$ (425,053)	\$ (531,585)	\$ 10,816,122	\$ (9,378,156)
Capital Asset Expenditures	\$ 2,348,420	\$ 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
Debt service as a percentage of noncapital expenditures	5.4%	5.5%	8.7%	7.9%	8.3%	7.7%	7.0%	5.5%	6.4%	7.6%

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					
2012	\$ 757,796,620	\$ 677,032,408	\$ 76,152,188	\$ 139,388,978	\$ 13,742,694	\$ 1,636,627,500	0.81	\$ 1,640,526,547	99.8%
2013	750,214,548	681,531,593	79,490,976	133,819,795	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%
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%

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Direct Rates										
General Fund Rate	0.410	0.410	0.410	0.440	0.460	0.460	0.470	0.490	0.490	0.490
Main Street Tax District	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.260	0.260
Seventh Avenue District	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.170	0.170
Total Direct Rate	0.810	0.810	0.810	0.840	0.860	0.860	0.870	0.890	0.920	0.920
County Rates										
Henderson County	0.5136	0.5136	0.5136	0.5136	0.5136	0.5650	0.5650	0.5650	0.5610	0.5610
Town of Fletcher	0.3250	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400
Town of Laurel Park	0.3600	0.3600	0.0360	0.3900	0.4300	0.4300	0.4300	0.4300	0.4350	0.4350
Town of Saluda	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450	0.6650	0.6650
Town of Mills River	0.0874	0.0974	0.0974	0.1124	0.1124	0.1800	0.1800	0.1800	0.1900	0.1900
Village of Flat Rock	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100	0.1100	0.1100	0.1300	0.1300
Fire (14) District Rates										
From Lowest	0.0650	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800	0.0900	0.0900
To Highest	0.1250	0.1250	0.1250	0.1250	0.1300	0.1300	0.1300	0.1300	0.1350	0.1400
Special Purpose District Rates										
Main Street Tax District	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2600	0.2600
Seventh Avenue Tax District	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	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	2021 Fiscal Year			2012 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles	\$ 48,788,838	1	2.22%	\$ 34,981,434	1	2.14%
Lake Point Landing	36,245,783	2	1.65%	10,329,200	5	0.63%
Triangle Ballantyne Hendersonville	28,618,100	3	1.30%	11,835,500	4	0.72%
Walmart	27,247,353	4	1.24%	27,733,100	2	1.69%
Boyd Hyder	25,237,590	5	1.15%	14,643,600	3	0.89%
Triangle Real Estate of Gastonia, Inc.	22,251,200	6	1.01%	11,835,500	4	0.72%
Duke Energy HC	19,009,579	7	0.87%	-		
Sams	14,098,773	8	0.64%	-		
First Citizens Bank	13,587,213	9	0.62%	-		
Publix	12,599,794	10	0.57%	-		
Totals	<u>\$ 247,684,223</u>		<u>11.28%</u>	<u>\$ 111,358,334</u>		<u>6.80%</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
2012	\$ 6,381,455	\$ 334,934	\$ 6,716,389	\$ 6,526,647	97.17%	\$ 178,135	\$ 6,704,782	99.83%
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%	-	10,642,972	98.89%

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	Capital Leases	Notes Payable	Revenue Bonds	Capital Leases	Notes Payable			
2012	\$ 2,440,000	\$ -	\$ 1,516,667	\$ -	\$ -	\$ 25,289,495	\$ 29,246,162	713.6%	\$ 2,203
2013	2,250,000	-	7,283,333	-	-	23,503,653	33,036,986	781.1%	2,485
2014	2,060,000	-	6,750,000	-	-	20,902,442	29,712,442	773.3%	2,205
2015	1,870,000	-	6,459,167	-	-	27,283,746	35,612,913	883.4%	2,079
2016	1,680,000	-	5,897,427	-	-	24,262,654	31,840,081	752.5%	2,303
2017	1,490,000	-	5,910,294	-	-	21,057,370	28,457,664	638.9%	2,023
2018	1,343,000	-	5,272,299	-	-	18,515,329	25,130,628	527.4%	1,771
2019	1,177,000	-	7,772,261	-	-	16,569,675	25,518,936	479.3%	1,791
2020	1,013,000	497,781	18,666,884	12,100,000	-	10,814,841	43,092,506	*	3,018
2021	852,000	586,602	18,826,454	10,889,000	109,932	14,042,341	45,306,329	*	2,993

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
2012	\$ 2,440,000	\$ -	\$ 2,440,000	0.15%	\$ 185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	1,490,000	-	1,490,000	0.07%	106
2018	1,343,000	-	1,343,000	0.06%	95
2019	1,177,000	-	1,177,000	0.06%	83
2020	1,013,000	-	1,013,000	0.05%	71
2021	852,000	-	852,000	0.04%	56

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, 2021

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Henderson County	\$ 157,397,996	13.30%	\$ 20,933,933
Subtotal, Overlapping Debt			<u>20,933,933</u>
City of Hendersonville Direct			<u>19,678,454</u>
Total Direct and Overlapping Debt			<u><u>\$ 40,612,387</u></u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 130,930,200	\$ 130,499,448	\$ 136,071,843	\$ 135,907,787	\$ 138,980,953	\$ 139,121,830	\$ 140,427,714	\$ 144,197,265	\$ 171,501,199	\$ 175,596,939
Total net debt applicable to limit	19,012,447	33,036,986	29,712,442	35,612,913	28,457,664	28,457,664	25,130,628	25,518,936	43,092,506	45,306,329
Legal debt margin	\$ 121,439,721	\$ 97,462,462	\$ 106,359,401	\$ 100,294,874	\$ 110,523,289	\$ 110,664,166	\$ 115,297,086	\$ 101,425,021	\$ 128,408,693	\$ 130,290,610
Total net debt applicable to the limit as a percentage of debt limit	13.5%	25.3%	21.8%	26.2%	20.5%	20.5%	17.9%	29.7%	25.1%	25.8%

Calculation of Current Year Legal Debt Margin

Total Assessed Value	\$ 2,194,961,736
Debt Limit (8% of Total Assessed Value)	175,596,939
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	44,454,329
Total Bonded Debt	852,000
Total Amount of Debt Applicable to Debt Limit	45,306,329
Legal Debt Margin	\$ 130,290,610

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	
2012	13,278	108,340	\$ 4,098,466	\$ 37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,404	3,842,493	35,122	13,491	4.9%	6.5%	5.9%
2015	13,663	110,939	4,031,132	36,336	13,495	4.6%	5.0%	5.7%
2016	13,824	112,655	4,231,103	37,558	13,690	4.3%	4.9%	4.9%
2017	14,064	114,209	4,454,428	39,002	13,241	3.6%	4.2%	4.4%
2018	14,189	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	*	*	13,164	7.5%	7.6%	1.1%
2021	15,137	116,281	*	*	12,600	4.3%	4.9%	6.4%

Data Sources:

- (1) US Census (QuickFacts)
- (2) US Census (QuickFacts)
- (3) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (4) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (5) Henderson County Public Schools
- (6) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (7) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (8) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- * Information not yet available

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2021 Fiscal Year			2012 Fiscal Year		
	Employees	Rank	Percentage of Total City Population	Employees	Rank	Percentage of Total City Population
Henderson County Schools	1,900	1	12.55%	1,852	1	13.95%
Pardee Hospital	1,559	2	10.30%	1,253	2	9.43%
Park Ridge Health	1,208	3	7.98%	750	4	5.57%
Ingles Markets, Inc.	1,144	4	7.56%	1,125	3	8.23%
Henderson County	1,050	5	6.94%	720	5	5.21%
Meritor	615	6	4.06%	450	7	3.20%
Continental Automotive Systems	450	7	2.97%	318	8	2.24%
Compassionate Home Care/Four Seasons	404	8	2.67%	550	6	3.86%
Sierra Nevada Brewing Co	390	9	2.58%	-		0.00%
Wal-Mart	380	10	2.51%	-		0.00%
Total	9,100		60.12%	7,018		51.68%

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Administration	3	3	3	5	5	5	5	5	5	5
Finance	12	12	12	13	12	14	18	19	18	18
Support Services	12	14	14	15	13	14	17	17	17	19
Public Safety										
Police	50	50	51	51	53	53	56	59	59	57
Fire	27	27	27	27	27	29	33	33	49	54
Public Works										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	4	4	4	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	9	9	9	7	7	7	9	9	9	9
Traffic Engineer	2	2	2	2	2	2	2	2	2	4
Grounds Maintenance	8	8	8	8	8	8	8	8	8	9
Subtotal	31	31	31	29	29	30	32	32	32	35
Business-type Activities										
Water and Sewer Fund	64	65	65	65	68	72	73	79	82	97
Stormwater Fund	12	14	14	14	15	15	14	14	14	14
Total	211	216	217	219	222	232	248	258	276	299

CITY OF HENDERSONVILLE, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Building Permits Issued										
Residential	125	305	307	119	130	101	221	256	309	241
Commercial	147	112	90	87	110	110	105	105	97	90
Public Safety - Police										
Physical Arrests	1,539	1,646	1,544	1,602	2,723	1,195	909	1,793	787	985
Traffic Violations	2,482	2,631	2,664	2,250	2,017	2,040	2,133	2,239	2,862	2,386
Parking Violations	1,806	2,762	2,317	2,216	3,029	2,462	1,790	1,415	854	689
Public Safety - Fire										
Number of Fire Calls Answered	2,111	3,270	3,401	4,121	4,352	4,761	4,638	4,499	3,855	3,825
Inspections Conducted	502	478	370	583	955	1,679	4,318	3,985	4,573	4,634
Water										
Number of Service Connections	25,552	25,514	26,446	26,723	30,000	27,449	28,415	29,986	29,308	305,504
Average Daily Production in Gallons	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896	6,942,134	7,323,913
Sewer										
Number of Service Connections	8,274	8,503	8,751	9,035	9,500	9,067	9,411	9,461	9,699	10,198
Average Daily Treatment in Gallons	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584	2,636,585	2,747,490
Solid Waste										
Refuse Collections (Tons per Year)	3,325	3,293	3,353	3,519	3,438	3,325	4,031	3,326	3,414	3,566
Recycling Collections (Tons per Year)	645	848	848	928	1,033	1,106	1,231	1,107	1,005	1,070
Scrap Metal (Tons per Year)	1	3	3	6	12	23	12	32	84	11

Sources: Various City of Hendersonville departments.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hendersonville										
Public Facilities/Buildings	4	5	5	5	5	1	1	2	3	3
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	38	38	39	39	30	30	30	42	35	40
Public Safety - Fire										
Number of Fire Stations	1	1	2	2	2	2	2	2	2	2
Number of Fire Trucks	6	6	6	6	5	6	5	5	5	6
Public Service										
Streets (in Miles)	65.67	68.20	68.20	68.20	68.20	65.75	65.75	65.75	65.75	65.75
Street Lights (Leased)	1,428	1,479	1,501	1,515	1,515	1,520	1,520	1,532	1,532	1,532
Street Lights (Owned)	189	189	189	189	189	256	215	286	286	286
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	12	12	12	12	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	620	634	637	640	653	623	624	633	634	664
Fire Hydrants	2,552	2,585	2,598	2,626	2,648	2,662	2,692	2,694	2,751	2,921
Sewer										
Sanitary Sewers (Miles)	176	177	178	178	180	160	182	182	183	183
Storm Sewers (Miles)	30	30	30	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	4	4	4	4	4	4	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, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2021. 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.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, which we consider to be a material weakness.

Compliance and Other Matters

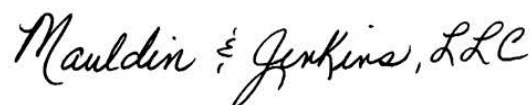
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

The City of Hendersonville, North Carolina's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and management's corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Columbia, South Carolina
December 14, 2021



**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

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 federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
December 14, 2021



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**

Report on Compliance for 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 *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, 2021. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
December 14, 2021

CITY OF HENDERSONVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
Federal Awards:				
U.S. Department of Justice:				
Direct Programs:				
Equitable Sharing Program	16.922		\$ 18,530	\$ -
Passed Through the Governor's Crime Commission:				
Tech & Rescue Grant	16.738		6,425	-
Safer School Grant	16.738		34,994	-
Total Department of Justice			<u>59,949</u>	<u>-</u>
U.S. Environmental Protection Agency:				
Passed Through the N.C. Department of Environmental Quality				
EPS Section 319(b) Grant Nonpoint Source Implementation Grant	66.460	C9-99465718-0	37,292	-
Capitalization Grants for State Revolving Funds	66.458	CS370444-10	1,377,814	-
Total Environmental Protection Agency			<u>1,415,106</u>	<u>-</u>
U.S. Department of Agriculture				
Direct Programs:				
Community Facilities Loans and Grants	10.766		8,365,426	-
Total Department of Agriculture			<u>8,365,426</u>	<u>-</u>
U.S. Department of the Treasury				
Passed Through Henderson County, North Carolina				
COVID-19 Coronavirus Relief Funds	21.019		597,013	-
Total Department of Treasury			<u>597,013</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		502,773	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		84,469	-
Total Department of Homeland Security			<u>587,242</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 11,024,736</u>	<u>\$ -</u>
State Awards:				
N.C. Department of Environmental Quality				
Division of Water Infrastructure				
Drinking Water State Revolving Fund		H-SRP-D-17-0132	\$ -	\$ 3,086,519
Total Department of Environmental Quality			<u>-</u>	<u>3,086,519</u>
N.C. Department of Transportation:				
Powell Bill Program		DOT-4	-	363,405
Total Department of Transportation			<u>-</u>	<u>363,405</u>
TOTAL STATE AWARDS			<u>\$ -</u>	<u>\$ 3,449,924</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 11,024,736</u>	<u>\$ 3,449,924</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City has federally funded loans outstanding as follows:

- (1) United States Department of Agriculture - \$11,500,000
- (2) United States Environmental Protection Agency - \$2,776,847

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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 no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? yes no

Significant deficiencies identified? yes 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 no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? yes no

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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,
Revolving Loan and Grant Program

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-001 Restatement of Prior Year Balances (Continued)

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.

Recommendation: We recommend the City carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported.

Auditee's Response: During the processing of assets, Finance staff discovered two assets that had mistakenly been entered with a salvage value causing the assets to not depreciate correctly. The City's new accounting software provides better reporting capabilities, which led to the discovery of the errors. Finance staff will continue to make use of the improved reporting to identify and prevent future errors. Changes have also been made to how the Finance staff process assets which will allow more time for processing and review. The changes include, monthly depreciation posting and review, batch loading assets to help eliminate posting errors, and an earlier capital asset purchasing deadline.

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,**

None reported in the prior year.

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

CITY OF HENDERSONVILLE

The City of Four Seasons



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

Management's Corrective Action Plan

2021-001 Restatement of Prior Year Balances

Contact Person Responsible for the Corrective Action Plan: John Buchanan, CFO

Corrective Action Plan: During the processing of assets, Finance staff discovered two assets that had mistakenly been entered with a salvage value causing the assets to not depreciate correctly. The City's new accounting software provides better reporting capabilities, which led to the discovery of the errors. Finance staff will continue to make use of the improved reporting to identify and prevent future errors. Changes have also been made to how the Finance staff process assets which will allow more time for processing and review. The changes include, monthly depreciation posting and review, batch loading assets to help eliminate posting errors, and an earlier capital asset purchasing deadline.

Anticipated Completion Date: In place