

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HENDERSONVILLE, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020



Prepared By: Finance Department

John P. Buchanan, CPA, CLGFO Finance Director

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION (UNAUDITED)	
Table of Contents	i
Transmittal Letter	1
Listing of Principal Officials and City Staff	6
Organizational Chart	7
Certificate of Achievement for Excellence in Financial Reporting	8
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	11
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	28
Statement of Activities	29
Fund Financial Statements	
Balance Sheet - Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	34
Statement of Net Position - Proprietary Funds	35
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	37
Notes to the Financial Statements	38
Required Supplementary Information	
Pension Plan Schedules	
Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	83
Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll	84
Local Government Employees' Retirement System - Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	85
Local Government Employees' Retirement System - Schedule of the City's Contributions	86
Other Postemployment Benefit Plan Schedule	
Healthcare Benefit Plan - Schedule of Changes in the Total OPEB Liability and Related Ratios	87 (Continued)

TABLE OF CONTENTS

	Page Number
FINANCIAL SECTION (CONTINUED)	
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Final Budget and Actual - General Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Project Authorization and Actual (Non-GAAP) - Governmental Capital Projects Fund	96
Combining and Individual Fund Financial Schedules	
Combining Balance Sheet - NonMajor Governmental Funds	99
Combining Balance Sheet - NonMajor Special Revenue Funds	100
Combining Balance Sheet - NonMajor Capital Projects Funds	102
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - NonMajor Governmental Funds	103
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - NonMajor Special Revenue Funds	104
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - NonMajor Capital Projects Funds	106
Budgetary Comparison Schedules (Non-GAAP)	
Special Revenue Funds	
Main Street Tax District Fund	108
Seventh Avenue Tax District Fund	109
Special Revenue Fund	110
Grants Fund	111
Enterprise Funds	
Water and Sewer Fund	114
Environmental Service Fund	118
Stormwater Fund	120
Water and Sewer Capital Projects Funds	
Water and Sewer Capital Projects	122
Stormwater Capital Projects Funds	
Stormwater Capital Projects	123
Internal Service Fund	
Health and Welfare Fund	126
Statement of Changes in Assets and Liabilities - Fiduciary Fund - Agency Fund - Fines and Forfeitures Fund	128
Property Taxes	
Schedule of Ad Valorem Taxes Receivable - General Fund	130
Analysis of Current Tax Levy - City-Wide - General Fund	131
Schedule of Ad Valorem Taxes Receivable - Main Street Tax District Fund	132
Analysis of Current Tax Levy - Main Street Tax District Fund	133
Schedule of Ad Valorem Taxes Receivable - Seventh Avenue Tax District Fund	134
Analysis of Current Tax Levy - Seventh Avenue Tax District Fund	135 (Continued)

TABLE OF CONTENTS

	Page Number
STATISTICAL SECTION (UNAUDITED)	
Statistical Section Table of Contents	139
Financial Trends Information	
Net Position by Component - Last Ten Fiscal Years - (Accrual Basis of Accounting)	141
Changes in Net Position - Last Ten Fiscal Years - (Accrual Basis of Accounting)	142
Fund Balances of Governmental Funds - Last Ten Fiscal Years - (Modified Accrual Basis of Accounting)	144
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years - (Modified Accrual Basis of Accounting)	145
Revenue Capacity Information	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	147
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	148
Principal Property Taxpayers - Current Year and Nine Years Ago	149
Property Tax Levies and Collections - Last Ten Fiscal Years	150
Debt Capacity Information	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	151
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	152
Direct and Overlapping Governmental Activities Debt - As of June 30, 2020	153
Legal Debt Margin Information - Last Ten Fiscal Years	154
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	155
Principal Employers - Current Year and Nine Years Ago	156
Operating Information	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	157
Operating Indicators by Function/Program - Last Ten Fiscal Years	158
Capital Asset Statistics by Function - Last Ten Fiscal Years	159
COMPLIANCE SECTION	
Schedule of Expenditures of Federal and State Awards	163
Notes to the Schedule of Expenditures of Federal and State Awards	164
Independent Auditor's Report - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	165
Independent Auditor's Report - 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	167
Independent Auditor's Report - Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	169
Schedule of Findings and Questioned Costs	171
Summary Schedule of Prior Year Audit Findings	173







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

February 18, 2021

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

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

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

The City's financial statements have been audited by Greene Finney, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 52 inches, average high summer temperature of 81 degrees, average high winter temperature of 49 degrees and average snowfall of 9 inches, Hendersonville is known as the *"City of Four Seasons."* This moniker was given to the City more than 50 years ago by a local weatherman, the late Kermit Edney.

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

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

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. This past year saw significant uncertainty due to the COVID-19 pandemic. The City made adjustments mid-year to expenditures and expected revenues due to the potential impacts. The overall impact of COVID-19 on the City's financial condition was minimal. Hendersonville's financial position remains strong and should remain strong in the foreseeable future.

Local Economy

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

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

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

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

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

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

Long-term Financial Planning

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

Relevant Financial Policies

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

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

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

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

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

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

Governmental Initiatives and Projects

Sound infrastructure is one of the top priorities of the City. A major goal for the City is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as City Council again committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance. During fiscal year 2020, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road.

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

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

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

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

Water & Sewer Initiatives and Projects

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

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

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

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

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

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

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

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

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

Stormwater Initiatives and Projects

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

Awards and Acknowledgments

The Government Finance Officers Association ("GFOA") of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019. This was the 30th consecutive year the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.

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

Sincerely,

John Buchanan, CPA, CLGFO Finance Director

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

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Jerry A. Smith, Jr.

Jeffery Lane Miller

Dr. Jennifer Hensley

Lyndsey Simpson

CITY STAFF

City Manager - John F. Connet

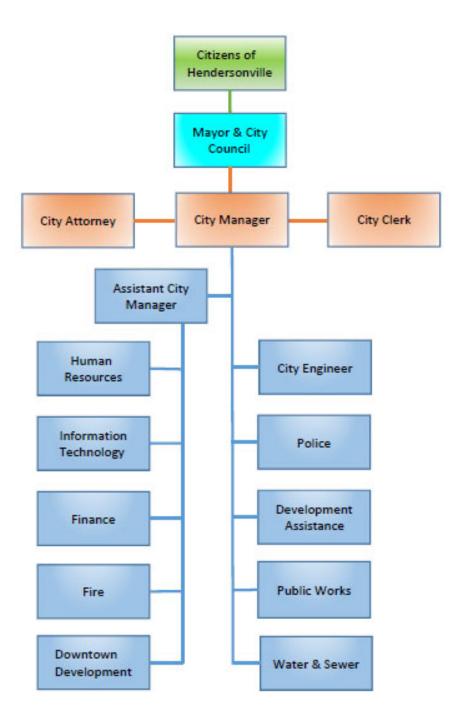
Assistant City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director - John P. Buchanan, CPA, CLGFO

CITY OF HENDERSONVILLE ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hendersonville North Carolina

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christophen P. Morrill

Executive Director/CEO







INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, City of Hendersonville Board of Alcoholic Control ("ABC Board"), which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

 GREENEFINNEY.COM
 INFO@GREENEFINNEY.COM

 MAULDIN, SC
 CHARLESTON, SC
 SPARTANBURG, SC
 ASHEVILLE, NC

 864.232.5204
 843.735.5805
 864.232.5204
 828.771.0847

11

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the pension plan schedules, and the other postemployment benefit plan schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management'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 to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the supplementary information, the statistical section, and the schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

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

Greene Finney, LLP

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

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

FINANCIAL HIGHLIGHTS

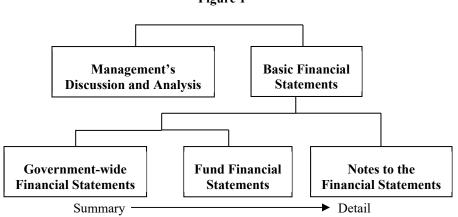
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$103,564,000 (total net position for the Primary Government).
- The City's total net position for FY 2020 increased by approximately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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Financial Statements

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



Required Components of Annual Financial Report

Figure 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

Figure 2

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by approximately \$103,564,000 as of June 30, 2020. The City's net position increased by approximately \$1,770,000 for the fiscal year ended June 30, 2020 largely due to an increase in net position in the Water and Sewer Fund of approximately \$2,264,000.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$4,692,000 with a total fund balance of approximately \$8,553,000, an increase of approximately \$223,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$713,000 for FY 2020. In the upcoming fiscal year 2021 budget, approximately \$1,257,000 of fund balance is appropriated. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the General Fund as of June 30, 2020 represents 26% percent of total next year General Fund budgeted expenditures.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures ended the year at approximately \$16,489,000, which was approximately \$1,565,000 or 9% below the approximately \$18,054,000 revised expenditures budget for the fiscal year 2020. The following factors contributed to the reduction of expenditures during fiscal year 2020, these include:

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

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

Non-Major Governmental Funds

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

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

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

The Main Street Tax District Fund is an operating governmental special revenue fund used to record the activities of the Main Street Municipal Tax District, including the Main Street Program and several special events and festivals. The Main Street Tax District Fund recorded a fund balance decrease of approximately \$10,000 for fiscal year 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Non-Major Governmental Funds (Continued)

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

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

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

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

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

Proprietary Funds

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

Water & Sewer Fund

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Water & Sewer Fund (Continued)

Water & Sewer Fund Transfers:

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

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

Environmental Service Fund

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totaled approximately \$118,013,000 (net of accumulated depreciation). This was an increase of approximately \$8,779,000 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

City's Net Capital Assets

Figure 4

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

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

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

Long-Term Debt

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

City's Outstanding General Obligation Bonds

Figure 5

i igui v c								
	Governmenta	al Activities	Business-Ty	pe Activities	Τα	otal		
	2019	2020	2019	2020	2019	2020		
General Obligation Bonds	\$ 1,177,000	1,013,000			1,177,000	\$ 1,013,000		

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2021

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

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

Governmental Activities

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

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

Business–Type Activities

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

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

Budget Highlights for the Fiscal Year Ending June 30, 2021 (Continued)

Capital Improvement Plan

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

Some of the major governmental capital improvement projects planned in next year's budget include the annual street resurfacing, Main Street Parking Deck, fire truck purchase and the continuation of Tracey Grove bridge replacement project and Police Department headquarters.

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

ADDITIONAL INFORMATION

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

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.





STATEMENT OF NET POSITION

JUNE 30, 2020

	р	COMPONENT UNIT		
	Governmental	Business-Type		ABC
	Activities	Activities	Totals	Board
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,326,996	2,716,265	5,043,261	\$ 1,351,212
Pooled Cash and Cash Equivalents, Restricted	9,955,417	5,440,727	15,396,144	-
Pooled Investments	4,941,271	7,110,609	12,051,880	-
Receivables, Net: Interest	8,833	8,174	17,007	
Property Taxes	245,149	0,1/4	245,149	-
Accounts	125,573	2,591,431	2,717,004	916
Grants	298,449	11,308	309,757	-
Shared Taxes	1,382,924	2,575	1,385,499	-
Refundable Taxes	388,728	6,095	394,823	-
Loans	-	1,180,687	1,180,687	-
Due From Component Unit	150,000	-	150,000	-
Prepaids and Inventories	683,233	1,233,720	1,916,953	521,476
Land Held for Sale/Redevelopment	50,295	-	50,295	-
Note Receivable	692,825	-	692,825	-
Capital Assets:				
Non-Depreciable	6,308,658	11,857,281	18,165,939	640,091
Depreciable, Net	24,305,354	75,541,304	99,846,658	1,061,598
TOTAL ASSETS	51,863,705	107,700,176	159,563,881	3,575,293
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	1,978,100	1,373,377	3,351,477	131,914
Deferred Other Postemployment Benefit Charges	648,110	435,224	1,083,334	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,626,210	1,808,601	4,434,811	131,914
LIABILITIES				
Accounts Payable	1,013,683	2,897,881	3,911,564	260,406
Accrued Interest Payable	81,403	49,263	130,666	-
Accrued Salaries and Benefits	578,094	429,637	1,007,731	-
Customer Deposits	1,025	243,166	244,191	-
Other Accrued Liabilities	-	-	-	200,330
Due to Primary Government	-	-	-	150,000
Due to Other Governments	-	-	-	150,000
Unearned Revenues	33,230	-	33,230	-
Non-Current Liabilities:	1.044 (14)	0 705 000	2 001 502	
Due Within One Year	1,266,614	2,725,089	3,991,703	-
Due in More Than One Year	26,341,946	24,618,195	50,960,141	149,656
TOTAL LIABILITIES	29,315,995	30,963,231	60,279,226	910,392
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	72,545	11,703	84,248	-
Deferred Other Postemployment Benefit Credits	42,109	28,014	70,123	-
Prepaid Taxes	1,231	-	1,231	-
TOTAL DEFERRED INFLOWS OF RESOURCES	115,885	39,717	155,602	
NET POSITION				
Net Investment in Capital Assets Restricted For:	20,335,763	68,316,330	88,652,093	1,701,689
Stabilization by State Statute	3,429,803	-	3,429,803	-
Economic Development	135,971	-	135,971	-
Public Safety	148,206	-	148,206	-
Cultural and Recreational	25,773	-	25,773	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	262,234
Unrestricted	982,519	10,189,499	11,172,018	802,263
TOTAL NET POSITION	\$ 25,058,035	78,505,829	103,563,864	\$ 2,796,815

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES			Ν	D		
FUNCTIONS/PROGRAMS						imary Governme	nt	Component Unit
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Co	Capital ontributions	Governmental Activities	Business-Type Activities	Total	ABC Board
Governmental Activities:								
General Government	\$ 3,798,995	37,730	-	-	(3,761,265)	-	(3,761,265)	\$-
Public Safety	10,317,127	251,510	715,918	-	(9,349,699)	-	(9,349,699)	-
Transportation	2,966,740	200,070	380,200	-	(2,386,470)	-	(2,386,470)	-
Environmental Protection	15,898	-	104,994	-	89,096	-	89,096	-
Economic and Physical Development	560,800	-	71,160	-	(489,640)	-	(489,640)	-
Cultural and Recreational	913,075	273,800	-	-	(639,275)	-	(639,275)	-
Interest on Long-Term Obligations	325,760	-	-	-	(325,760)	-	(325,760)	-
Total Governmental Activities	18,898,395	763,110	1,272,272	-	(16,863,013)		(16,863,013)	
Business-Type Activities:								
Water and Sewer	16,993,598	16,196,439	-	2,876,942	-	2,079,783	2,079,783	-
Environmental Services	1,519,238	1,237,818	-	-	-	(281,420)	(281,420)	-
Stormwater	311,497	378,635	-	58,632	-	125,770	125,770	-
Total Business-Type Activities	18,824,333	17,812,892		2,935,574		1,924,133	1,924,133	
TOTAL - PRIMARY GOVERNMENT	\$ 37,722,728	18,576,002	1,272,272	2,935,574	(16,863,013)	. 1,924,133	(14,938,880)	
COMPONENT UNIT:								
ABC Board	\$ 8,951,311	8,854,456	-	-	-	_	_	(96,855)
TOTAL - COMPONENT UNIT	\$ 8,951,311	8,854,456				<u> </u>		(96,855)
TOTAL - COMPONENT UNIT	\$ 0,951,511	0,034,430		-			-	(90,055)
		General Revenu	es and Transfers	:				
		General Revenue Taxes:	es:					
		Property Taxes			10,887,215	_	10,887,215	-
		Sales Taxes	,		3,807,868	_	3,807,868	-
		Franchise Taxe	28		1,218,896	-	1,218,896	-
		Gross Receipts			10,895	-	10,895	-
		Other Taxes	1 411		272,523	-	272,523	-
		Investment Incor	ne		121,167	164,081	285,248	8,054
		Miscellaneous			155,925	61,352	217,277	-
		Gain on Sale of A	Assets			9,164	9,164	-
		Transfers In (Out			30,000	(30,000)	-	-
		Total General Re	evenues and Transf	fers	16,504,489	204,597	16,709,086	8,054
		CHANGE IN N	ET POSITION		(358,524)	2,128,730	1,770,206	(88,801)
		NET POSITION	, Beginning of Yea	ar	25,416,559	76,377,099	101,793,658	2,885,616

NET POSITION, END OF YEAR

25,058,035

78,505,829

103,563,864 \$ 2,796,815

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

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

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

JUNE 30, 2020

OTAL FUND BALANCES - GOVERNMENTAL FUNDS	Э	19,118,828
nounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$54,686,733 and the accumulated depreciation was \$24,072,721.		30,614,012
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.		245,149
Grants receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.		123,834
An internal service funds is used by management to charge the costs of health insurance costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		134,619
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.		(81,403)
The City's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.		1,792,667
The City's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.		112,888
The City's deferred outflows of resources and deferred inflows of resources related to its other postemployment benefit plan (retiree health care plan), a single-employer defined benefit other postemployment benefit plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.		606,001
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:		(20.177.665)
Long-Term Debt		(20,177,665)
Compensated Absences Total OPEB Liability - Health Care Plan		(785,454) (2,319,496)
Net Pension Liability - LGERS Pension Plan		(3,132,461)
Total Pension Liability - LEOSSA		(1,193,484)
DTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	25,058,035

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

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	GOVERNMENTAL CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	GOV	TOTAL /ERNMENTAL FUNDS
REVENUES					
Ad Valorem Taxes Other Taxes and Licenses Unrestricted Intergovernmental Revenue Restricted Intergovernmental Revenue Permits and Fees	\$ 10,542,232 10,895 5,308,577 572,060 399,737	- - - -	341,455 	\$	10,883,687 10,895 5,539,666 889,022 399,737
Sales and Services Investment Earnings Miscellaneous	 269,883 117,052 99,786	- 944 - 944	71,160 3,171 33,890 997,727		341,043 121,167 133,676
TOTAL REVENUES	 17,320,222	944	991,121		18,318,893
EXPENDITURES					
Current: General Government	3,203,028	111,500	-		3,314,528
Public Safety	8,590,705	-	390,841		8,981,546
Transportation	2,113,102	-	-		2,113,102
Environmental Protection	-	-	15,898		15,898
Economic and Physical Development Cultural and Recreational	-	-	533,430		533,430
Capital Outlay	642,051 922,435	1,721,603	619 265,833		642,670 2,909,871
Debt Service:	922,435	1,721,005	205,855		2,909,871
Principal Retirement	756,668	-	36,406		793,074
Interest	260,934	-	17,031		277,965
Debt Issuance Costs	-	36,933	-		36,933
TOTAL EXPENDITURES	 16,488,923	1,870,036	1,260,058		19,619,017
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 831,299	(1,869,092)	(262,331)		(1,300,124)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt Issuance of Capital Lease Insurance Proceeds Sale of Capital Assets Transfers In	521,478 61,798 1,151	11,500,000 - - 275,629	- 1,819 120,915		11,500,000 521,478 63,617 1,151 396,544
Transfers Out	(235,683)	(50,915)	(79,946)		(366,544)
TOTAL OTHER FINANCING SOURCES (USES)	 348,744	11,724,714	42,788		12,116,246
NET CHANGES IN FUND BALANCES	1,180,043	9,855,622	(219,543)		10,816,122
FUND BALANCES, Beginning of Year, as Previously Reported Reclassification of Fund Balances	7,372,526	(200,711) 214,135	1,130,891 (214,135)		8,302,706
FUND BALANCE, Beginning of Year, Restated	 7,372,526	13,424	916,756		8,302,706
FUND BALANCES, End of Year	\$ 8,552,569	9,869,046	697,213	\$	19,118,828

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

YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,8	16,122
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.		3,527
Grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	1	23,834
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(12,0	21,478)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	7	93,074
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(10,862)
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(7-	46,599)
Changes in the City's LEOSSA net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(68,619)
Changes in the City's total other postemployment benefit liability (retiree health care plan), deferred outflow of resources, and deferred inflow of resources are not reported in the governmental funds but is reported in the Statement of Activities.	(2	07,684)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(.	47,568)
In the Statement of Activities the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(12,353)
An internal service fund is used by management to charge the costs of health and dental insurance costs to individual funds. The change in net position for this fund is included in the Statement of Activities.		48,562
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as		
depreciation expense. This is the amount by which capital asset additions of \$2,833,501 exceeded depreciation expense of \$1,861,981 in the current period.	9	71,520
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3</u>	58,524)

BUDGETARY COMPARISON STATEMENT - GENERAL FUND

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

YEAR ENDED JUNE 30, 2020

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

STATEMENT OF NET POSITION -PROPRIETARY FUNDS

JUNE 30, 2020

	MAJOR	NONMA	JOR		INTERNAL SERVICE FUND	
	WATER AND SEWER FUND	ENVIRONMENTAL SERVICE FUND	STORM WATER FUND	TOTAL ENTERPRISE FUNDS	HEALTH AND WELFARE FUND	
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 2,557,630	95,268	63,367	2,716,265	\$ 172,746	
Pooled Cash and Cash Equivalents, Restricted Pooled Investments	5,440,727 6,990,091	- 60,259	- 60,259	5,440,727 7,110,609	-	
Receivable, Net	0,770,071	00,237	00,237	7,110,007		
Accounts Receivable	2,376,163	165,037	50,231	2,591,431	6,120	
Grants	-	-	11,308	11,308	-	
Shared Taxes	-	2,575	-	2,575	-	
Refundable Taxes Accrued Interest	4,475 8,022	29 143	1,591 9	6,095 8,174	-	
Loans	1,180,687	-	-	1,180,687	-	
Prepaid and Inventories	1,233,720	-	-	1,233,720	-	
Total Current Assets	19,791,515	323,311	186,765	20,301,591	178,866	
Non-Current Assets:			100,700	20,001,091	170,000	
Capital Assets:						
Non-Depreciable	11,700,122	11,134	146,025	11,857,281	-	
Depreciable, Net	74,216,690	733,424	591,190	75,541,304	-	
Total Non-Current Assets	85,916,812	744,558	737,215	87,398,585	-	
TOTAL ASSETS	105,708,327	1,067,869	923,980	107,700,176	178,866	
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Pension Charges	1,227,263	146,114	-	1,373,377	-	
Deferred Other Post Employment Benefit Charges	395,965	39,259	-	435,224	-	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,623,228	185,373	-	1,808,601	-	
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,824,557	40,839	32,485	2,897,881	44,247	
Accrued Interest Payable	48,933	222	108	49,263	-	
Accrued Salaries and Benefits	380,947	39,895	8,795	429,637	-	
Customer Deposits	243,166	-	-	243,166	-	
Current Portion of Compensated Absences Current Portion of Debt	224,453 2,349,117	24,414 79,553	4,131 43,421	252,998 2,472,091	-	
					44.247	
Total Current Liabilities	6,071,173	184,923	88,940	6,345,036	44,247	
Non-Current Liabilities: Net Pension Liability	2,126,217	253,142	_	2,379,359	_	
Other Post Employment Benefits	1,388,042	155,046	-	1,543,088	-	
Compensated Absences, Less Current Portion	224,453	24,414	4,131	252,998	-	
Debt, Less Current Portion	20,028,595	231,576	182,579	20,442,750	-	
Total Long-Term Liabilities	23,767,307	664,178	186,710	24,618,195		
TOTAL LIABILITIES	29,838,480	849,101	275,650	30,963,231	44,247	
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Credits Deferred Other Post Employment Benefit Credits	10,458 25,199	1,245 2,815	-	11,703 28,014	-	
TOTAL DEFERRED INFLOWS OF RESOURCES	35,657	4,060		39,717		
NET POSITION						
Net Investment in Capital Assets Unrestricted	67,371,686 10,085,732	433,429 (33,348)	511,215 137,115	68,316,330 10,189,499	- 134,619	
TOTAL NET POSITION	\$ 77,457,418	400,081	648,330	78,505,829	\$ 134,619	
	\$ 77,107,110	100,001	010,000	. 5,555,629	- 101,017	

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

YEAR ENDED JUNE 30, 2020

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

STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	MAJOR		NONMA	AJOR		INTERNAL SERVICE FUND	
	SI	TER AND EWER FUND	ENVIRONMENTAL SERVICE FUND	STORM WATER FUND	TOTAL		ALTH AND VELFARE FUND
CASH FLOWS FROM OPERATING ACTIVITIES			· · · · · · · · · · · · · · · · · · ·				
Receipts from Customers and Users Payments to Suppliers for Goods and Services Payments for Personal Services Other Receipts (Payments)	\$	16,218,893 (8,616,227) (4,903,912) 43,997	1,220,394 (682,621) (562,658) 14,780	363,246 (142,928) (113,484)	17,802,533 (9,441,776) (5,580,054) 58,777 2,839,480	\$	297,438 (226,434) (22,118) -
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		2,742,751	(10,105)	106,834	2,839,480		48,886
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(30,000)		-	(30,000)		-
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES		(30,000)		-	(30,000)		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	6						
Capital Contributions - Grants Acquisition of Capital Assets Proceeds on Sale of Capital Assets Bond and Note Proceeds Payments to Refunding Bond Escrow Agent Debt Issuance Costs Bond and Revolving Fund Loan Principal Payments Bond and Revolving Fund Loan Interest Payments		36,864 (6,233,586) 9,164 13,649,124 (6,209,841) (220,053) (2,711,348) (470,481)	(248,038) - - - - - - - - - - - - - - - - - - -	42,612 (286,743) - - - - - -	79,476 (6,768,367) 9,164 14,117,563 (6,209,841) (220,053) (2,743,243) (472,213)		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		(2,150,157)	(39,226)	(18,131)	(2,207,514)		-
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Earnings Short Term Investments, Net NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		216,343 6,656,729 6,873,072	3,232 112,486 115,718	861 (60,259) (59,398)	220,436 6,708,956 6,929,392		
NET INCREASE (DECREASE) IN RESTRICTED			· · · · · · · · · · · · · · · · · · ·				
AND UNRESTRICTED CASH AND CASH EQUIVALENTS		7,435,666	66,387	29,305	7,531,358		48,886
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year		562,691	28,881	34,062	625,634		123,860
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	\$	7,998,357	95,268	63,367	8,156,992	\$	172,746
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:							
Operating Income (Loss) Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	\$	(174,964)	(279,787)	67,246	(387,505)	\$	48,562
Depreciation Expense		3,267,610	162,237	25,160	3,455,007		-
Other Nonoperating Revenue Insurance Proceeds		38,894 5,103	17,355	-	56,249 5,103		-
Change in Accounts Representing Operating Activities:							
Accounts Receivable Shared Taxes Receivable		(83,441)	(17,424) (2,575)	(15,389)	(116,254) (2,575)		(6,120)
Refundable Taxes Receivable		(4,392)	(2,575)	(1,591)	(6,012)		-
Prepaids and Inventory		60,850	-	-	60,850		-
Accounts Payable Accrued Salaries and Benefits		(1,098,726) 96,126	17,964 6,764	22,485	(1,058,277) 105,803		28,562
Customer Deposits		105,895	-	2,913	105,805		(22,118)
Other Post Employment Benefits		255,092	32,578	-	287,670		-
Compensated Absences		85,932	19,468	6,010	111,410		-
Net Pension Liability		398,240	37,234	-	435,474		-
Deferred Pension Charges Deferred Pension Credits		136,812	24,327	-	161,139		-
Deferred Other Post Employment Benefit Charges		(6,152) (333,445)	(831) (26,755)	-	(6,983) (360,200)		-
Deferred Other Post Employment Benefit Credits		(6,683)	(631)	-	(7,314)		-
Net Cash Provided by (Used in) Operating Activities	\$	2,742,751	(10,105)	106,834	2,839,480	\$	48,886
Noncash Investing or Financing Items:		_		_			_
Capital Contributions	\$	2,876,942	-	21,843	2,898,785	\$	-
Revolving Loan Funds Not Yet Received Acquisition of Capital Assets Not Yet Paid For	\$	1,180,687 1,608,141	-	-	1,180,687 1,608,141	\$	-
requisition of Capital resols not 1 to Fall Fol	Φ	1,000,141	-	-	1,000,141	Φ	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

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

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

Related Organizations

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Major Operations

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

The *Main Street Tax District Fund, non-major fund,* was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.

The *Seventh Avenue Tax District Fund, non-major fund,* was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The *Grants Fund, a non-major fund,* was established to administer restricted or committed funds for some of the City's federal and state grants. This fund adopts a multi-year project budget.

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

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

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

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

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds are made up of two fund types: Enterprise Funds and Internal Service Funds.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City has the following Enterprise Funds:

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

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

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments (Continued)

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

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

3. Receivables and Payables

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

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

4. Inventories and Prepaid Items

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

5. Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

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

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

6. Restricted Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

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

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

8. Accrued Liabilities and Long-Term Obligations

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

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

9. Deferred Outflows/Inflows of Resources

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

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in the City's Statements of Net Position in connection with the City's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). (2) The City reports *deferred other postemployment benefits ("OPEB") charges* in the City's Statements of Net Position in connection with the City's OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability of the total OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has five types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The City reports *unavailable revenue – grants* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (grant revenues) in the period the amounts become available. (3) The City reports deferred items for prepaid revenues in the governmental funds Balance Sheet and in the government-wide Statement of Net Position; it is deferred and recognized as an inflow of resources and recognized as an inflow of resources (for which is intended to finance. (4) The City reports *deferred pension credits* in its Statements of Net Position in connection with the City's participation in the State's LGERS and LEOSSA. (5) The City also reports *deferred OPEB credits* in its Statements of Net Position in connection with the City's OPEB Plan. These *deferred pension and OPEB credits* in its use a reduction of pension/OPEB expense in future periods in accordance with GAAP.

10. Fund Balance

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute ("RSS"), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

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

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

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

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

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

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

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

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

The City adopted an Available Fund Balance policy for the General Fund to be at a minimum of fifty percent (50%) of the City's population group average percent available fund balance and 50 - 75% of budgeted expenditures for the Water and Sewer Fund.

11. Net Position

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Pensions and Other Postemployment Benefits

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

13. Fair Value

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Encumbrances

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

15. Accounting Estimates

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

16. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

- 1. Around the middle of February each year (legally required to be completed before April 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 multi-year funds. All amendments must be approved by City Council and City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by City Council. Budgeted expenditure appropriations lapse at year-end. The budgets at the end of the year for these funds represent the budgets as adopted and amended by the City Council.
- 4. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end lapse and are generally re-appropriated in the succeeding year's budget.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

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

At June 30, 2020, the City's deposits had a carrying amount of approximately \$19,928,000 and a bank balance of approximately \$20,746,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

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

Investments

As of June 30, 2020, the City had the following investments:

	Fair Value	Credit	Fair	Investment Ma	turiti	es in Years
Investment Type	Level ⁽¹⁾	Rating ^	Value	< 1 yr		1 - 3 yrs
US Securities	Level 1	AA+/Aaa	\$ 626,520	-	\$	626,520
NC Local Governments	Level 2	AAA/Aaa	683,394	683,394		-
Commercial Paper	Level 2	A-1+/P-1	998,292	998,292		-
NCCMT Government Portfolio	Level 1	AAAm	9,749,630	9,749,630		-
NCCMT Term Portfolio	Level 1	Unrated	505,137	505,137		-
Total			\$ 12,562,973	11,936,453	\$	626,520

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

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

NCCMT = North Carolina Capital Management Trust

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

A. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

Concentration of Credit Risk: The City's Council places no limit on the amount that the City may invest in any one issuer. The City had debt securities that were more than 5% of the City's total investments with Gaston County (5.4%) and Charlotte-Mecklenburg Hospital Authority (7.9%).

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2020 are noted in Note I.C.6 and Note I.C.10 and generally are those imposed by the revenue or financing source (i.e. special revenue, grants, unspent debt proceeds, etc.).

Reconciliation to the Financial Statements

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

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

B. Receivables and Unavailable, Deferred, and Unearned Revenues

Property Taxes

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

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

Property Taxes (Continued)

Gross property taxes receivable of approximately \$424,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$179,000. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

The City's fiscal year 2020 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2019, were levied in July 2019 based on a rate of .490 (same as prior year), .260 (.020 decrease from prior year), and .170 (.050 increase from prior year) for the General Fund, Main Street Tax District, and Seventh Avenue District, respectively. The City's assessed value of real and personal property for tax year 2019 was approximately \$2.1 billion, \$117.0 million, and \$20.5 million for the City's General Fund rate, Main Street Tax District rate, and Seventh Avenue District rate, respectively.

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

Note Receivable

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

Intergovernmental and Other Receivables

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

Unavailable, Deferred, and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). As of June 30, 2020, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

C. Interfund Balances and Transfers

The City pools its cash and investments ("Pool") across funds to maximize its investment performance. Interfund balances at June 30, 2020 consist of individual funds which had a negative equity in the Pool (and thus must reflect this negative equity in the Pool as an interfund payable). Interfund balances at June 30, 2020, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

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

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

Fund	T1	Transfers In		Transfers Out		
<u>Major Governmental Funds:</u>						
General Fund	\$	-	\$	235,683		
Governmental Capital Projects Fund		275,629		50,915		
<u>Non-Major Governmental Funds:</u> Special Revenue Funds		120,915		79,946		
Major Enterprise Funds: Water/Sewer Fund		-		30,000		
Totals	\$	396,544	\$	396,544		

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded. The Water and Sewer Fund transferred out approximately \$30,000 to the Governmental Capital Projects Fund to fund its portion of the cost of the fiber infrastructure improvement project. The General Fund transferred out approximately \$166,000 to the Governmental Capital Projects Fund to fund the downtown parking deck project, fiber infrastructure improvement project. The General Fund also transferred out approximately \$70,000 to the Grants Fund to fund streetscape improvements. The Main Street Tax District Fund transferred out approximately \$80,000 to the Governmental Capital Projects Fund to fund the downtown public restroom project.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

D. Capital Assets

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

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

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

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

Functions/Programs	Capital Asset Additions		D	epreciation Expense
General Government	\$	179,109	\$	374,369
Public Safety		1,588,888		597,837
Transportation		99,249		714,333
Economic and Physical Development		315,226		12,498
Cultural and Recreational		651,029		162,944
Total - Governmental Activities	\$	2,833,501	\$	1,861,981

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

D. Capital Assets (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

D. Capital Assets (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

D. Capital Assets (Continued)

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

Functions/Programs		Capital Asset Additions		epreciation Expense
Water and Sewer	\$	10,718,669	\$	3,267,610
Environmental Services		248,038		162,237
Stormwater		308,586		25,160
Total - Business-Type Activities	\$	11,275,293	\$	3,455,007

Capital asset activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ABC Board (Component Unit)				
Capital Assets, Non-Depreciable:				
Land	\$ 640,091		-	\$ 640,091
Capital Assets, Depreciable:				
Buildings	1,073,913	-	-	1,073,913
Other Improvements	520,339	49,801	15,984	554,156
Furniture and Equipment	219,860	4,851	-	224,711
Vehicles	26,646	24,039	-	50,685
Computer Equipment	201,320	-	-	201,320
Total Capital Assets, Depreciable	2,042,078	78,691	15,984	2,104,785
Less: Accumulated Depreciation for:				
Buildings	480,628	22,118	-	502,746
Other Improvements	154,470	28,100	15,984	166,586
Furniture and Equipment	178,543	18,463	-	197,006
Vehicles	26,646	4,407	-	31,053
Computer Equipment	123,422	22,374	-	145,796
Total Accumulated Depreciation	963,709	95,462	15,984	1,043,187
Total Capital Assets, Depreciable, Net	1,078,369	(16,771)		1,061,598
Business-Type Activities Capital Assets, Net	\$ 1,718,460	(16,771)	-	\$ 1,701,689

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

Capital Asset		Depreciation			
Additions		Expense			
\$	\$ 78,691		95,462		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations

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

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

General Obligation Bonds	Balance at June 30, 2020
\$1,352,000 General Obligation Refunding Bond, Series 2017 (general obligation bonds) issued in October 2017 ("GORB – October 2017"), due in annual installments of \$9,000 to \$166,000 beginning on March 1, 2018 through March 1, 2027, plus interest of 2.02% due semi-annually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008.	\$ 1,013,000
Revenue Bonds	
\$12,897,000 Water and Sewer Revenue Bond issued in December 2019 ("RB – December 2019"), due in annual installments of \$477,000 to \$1,238,000 beginning on June 1, 2020 through June 1, 2034, plus interest at 1.87% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment and to current refund the Installment Purchase Contract with JP Morgan Chase Bank.	12,100,000
State Revolving Loans	
\$13,250,000 State Revolving Loan finalized in November 2001 ("SRL – November 2001"), due in annual installments of \$662,500 beginning on May 1, 2003 through May 1, 2022, plus interest at 2.91% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	1,325,000
\$571,781 State Revolving Loan finalized in May 2011 ("SRL – May 2011"), due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	314,480
\$1,815,000 State Revolving Loan finalized in June 2015 ("SRL – June 2015"), due in annual installments of \$90,750 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek sewer project.	1,361,250
\$4,340,600 State Revolving Loan finalized in July 2015 ("SRL - July 2015"), due in annual	\$ 3,255,450

installments of \$217,030 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Jackson Park sewer project.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E.	Long-Term Obligations (Continued)				
	State Revolving Loans (Continued)	Balance at June 30, 2020			
	\$3,000,000 State Revolving Loan finalized in March 2016 ("SRL – March 2016"), due in annual installments of \$139,248 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek water/sewer system improvements.	\$ 2,088,721			
	\$2,982,484 approved State Revolving Loan of which only \$1,399,033 has been drawn down through June 2020 ("SRL – June 2020 – Streambank"). Once fully drawn down, the loan will be due in annual installments of \$149,124 beginning on May 1, 2022 through May 1, 2041, with no interest. The proceeds of this issue are being used for the Streambank Restoration project.	1,399,033			
	\$5,370,932 approved State Revolving Loan of which only \$533,778 has been drawn down through June 2020 ("SRL – June 2020 – Northside"). Once fully drawn down, the loan will be due in annual installments of \$268,547 beginning on May 1, 2022 through May 1, 2041, plus interest at 1.23% due semi-annually. The proceeds of this issue are being used for the Northside Water System project.	533,778			
	Installment Purchase Contracts				
	\$6,000,000 Installment Purchase Contract with BB&T issued in April 2013 ("IPC – April 2013"), due in semi-annual installments of \$150,000 beginning on October 5, 2013 through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.	3,900,000			
	\$302,000 Installment Purchase Contract with Entegra (formerly Macon Bank) issued in September 2015 ("IPC – September 2015"), due in semi-annual installments of \$20,340 to \$22,815 beginning December 1, 2015 through June 1, 2022, plus interest at 1.89% due semi-annually. The proceeds of this issue were used to purchase of a vehicle and parking meters. Approximately 27% and 73% of this IPC is reflected in the City's governmental and business-type activities, respectively.	89,962			
	\$242,500 Installment Purchase Contract with Entegra issued in June 2017 ("IPC – June 2017"), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.	536,250			
	\$2,500,000 Installment Purchase Contract with Pinnacle issued in October 2018 ("IPC – October 2018"), due in annual installments of \$166,000 to \$167,000 beginning October 1, 2019 through October 1, 2033, plus interest at 3.18% due semi-annually. The proceeds of this issue were used to construct a maintenance building and a restroom facility.	2,333,000			
	\$465,100 Installment Purchase Contract with Pinnacle issued in June 2019 ("IPC – June 2019"), due in semi-annual installments of \$44,117 to \$49,347 beginning December 3, 2019 through June 3, 2024, plus interest at 2.25% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment.	376,362			
	\$468,439 Installment Purchase Contract with US Bank in June 2020 ("IPC – June 2020 – Freightliners"), due in annual installments of \$45,034 to \$48,696 beginning December 19, 2020 through December 19, 2025, plus interest at 1.90% due semi-annually. The proceeds of this issue were used to purchase three freightliner street sweepers.	\$ 468,439			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

Installment Purchase Contracts (Continued)

\$11,500,000 Installment Purchase Contract with HomeTrust Bank issued in June 2020 ("IPC - June \$11,500,000 2020 – PD Headquarters"). The total loan amount is due on June 1, 2022, plus interest at 1.79% due semi-annually. The proceeds of this issue were used as interim financing for the construction of the Police Department Headquarters. It is the City's intent that this loan will be replaced at maturity with a long-term USDA loan.

Capital Leases

\$521,478 in leases with Enterprise issued at various times from October 2019 through May 2020 \$ 497,781 ("Enterprise Leases – 2020"). Each lease requires payments of \$401 to \$734 (principal and interest) per month for 60 months beginning with the inception date of the lease. These 15 vehicle leases have been treated as capital leases for financial reporting purposes (as the City will lease each vehicle for over 75% of its estimated useful life).

Interest paid on certain debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not believe it has an arbitrage liability at June 30, 2020.

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

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

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

Balance at

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's governmental activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Governmental Activities:						
Direct Borrowings/Placements:						
General Obligation Bonds:						
GORB – October 2017	\$ 1,177,000	-	164,000	1,013,000	\$ 161,000	0
Total General Obligation Bonds	1,177,000	-	164,000	1,013,000	161,000	0
Installment Purchase Contracts:						
IPC - April 2013	4,200,000	-	300,000	3,900,000	300,000	0
IPC - September 2015	33,083	-	11,811	21,272	12,040	0
IPC - June 2017	574,078	-	37,828	536,250	38,752	2
IPC - October 2018	2,500,000	-	167,000	2,333,000	167,000	0
IPC - June 2019	465,100	-	88,738	376,362	90,799	9
IPC - June 2020 - PD Headquarters	-	11,500,000	-	11,500,000	-	
Total Installment Purchase Contracts	7,772,261	11,500,000	605,377	18,666,884	608,591	1
Capital Leases:						
Enterprise Leases - 2020	-	521,478	23,697	497,781	104,296	6
Total Capital Leases	-	521,478	23,697	497,781	104,296	6
Total Direct Borrowings/Placements	8,949,261	12,021,478	793,074	20,177,665	873,887	7
Compensated Absences	737,886	465,642	418,074	785,454	392,727	7
Total OPEB Liability	1,577,804	741,692	-	2,319,496	-	
Net Pension Liability - LGERS	2,693,806	438,655	-	3,132,461	-	
Total Pension Liability - LEOSSA	1,069,048	124,436	-	1,193,484	-	
Total Governmental Activities	\$ 15,027,805	13,791,903	1,211,148	27,608,560	\$ 1,266,614	4

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended June 30, 2020:

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

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

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

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

(2) This does not include depreciation expense.

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

IV. OTHER INFORMATION

A. Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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

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

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

B. Retirement/Pension Plans

Local Governmental Employees' Retirement System

Plan Description

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

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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Continued)

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City and by employees were approximately \$1,185,000 and \$778,000 for the year ended June 30, 2020, respectively.

Refunds of Contributions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

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

For the year ended June 30, 2020, the City recognized pension expense of approximately \$2,521,000. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		In	eferred flows of esources
Differences Between Expected and Actual Experience	\$	943,763	\$	-
Changes in Assumptions		898,335		-
Net Difference Between Projected and Actual Earnings on				
Pension Plan Investments		134,441		-
Changes in Proportion and Differences between City				
Contributions and Proportionate Share of Contributions		20,245		27,110
City Contributions Subsequent to the Measurement Date		1,184,667		-
	\$	3,181,451	\$	27,110

Approximately \$1,185,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Actuarial Assumptions

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 (measurement date) are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate

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

Sensitivity Analysis

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Sensitivity Analysis (Continued)

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

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

Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2018 (actuary valuation date), the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	1
Active Plan M embers	44
Total	45

Summary of Significant Accounting Policies

Basis of Accounting

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

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

Actuarial Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Actuarial Assumptions (Continued)

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

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

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to the LEOSSA is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid approximately \$48,000 as benefits came due for the reporting period.

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

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

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

Approximately \$29,000 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

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

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

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

The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	19	% Decrease	Di	scount Rate	1% Increase
		(2.26%)		(3.26%)	 (4.26%)
Total Pension Liability	\$	1,295,407	\$	1,193,484	\$ 1,101,146

Schedule of Changes in Total Pension Liability

Schedule of Changes in Total Pension Liability

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$192,000 which consisted of \$113,000 from the City and \$79,000 from the law enforcement officers.

Firefighter's and Rescue Squad Worker's Pension Plan

Plan Description

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

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

Benefits Provided

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Firefighter's and Rescue Squad Worker's Pension Plan (Continued)

Contributions and Refunds of Contributions

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City's proportionate share of the State's contribution was approximately \$14,000. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

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

C. Postemployment Benefits Other Than Pensions

Healthcare Benefit Plan

Plan Description

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

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

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

Plan Membership

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Plan Benefits and Contributions

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

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

Actuarial Assumptions and Other Inputs

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Discount Rate

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

Total OPEB Liability and Changes in the Total OPEB Liability

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

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

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

	19	1% Decrease (2.50%)		Discount Rate (3.50%)		1% Increase (4.50%)	
Total OPEB Liability	\$	4,278,757		3,862,584	\$	3,500,624	

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

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

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

	2010	rred Outflows Resources	2000	rred Inflows Resources
Differences Between Expected and Actual Experience	\$	689,856	\$	-
Changes of Assumptions and Other Inputs		198,658		70,123
City Benefit Payments and Plan Administrative Costs Made				
Subsequent to the Measurement Date		194,820		-
Total	\$	1,083,334	\$	70,123

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

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

Death Benefit Plan

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments

Litigation

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

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City's applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2020.

Commitment

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

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

E. On-Behalf Payments

The City has recognized as revenue and expenditure, on-behalf payments for pension contributions made by the State, for participating employed firefighters in the amount of approximately \$14,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of approximately \$41,000 for the salary supplement and stipend benefits paid to eligible firefighters by the local board of trustees of the Firefighter's Relief Fund during the year ended June 30, 2020. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firefighters or their department.

F. Joint Activities

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

G. Net Investment in Capital Assets

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

Governmental Activities:	
Capital Assets, Net	\$ 30,614,012
Long-Term Debt	(20,177,665)
Construction Payables	(403,296)
Unspent Debt Proceeds	10,302,712
Governmental Activities - Net Investment in Capital Assets	\$ 20,335,763

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

H. Fund Balance

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

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

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

I. Reclassification of Fund Balances

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

J. COVID-19 Health Pandemic

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

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

K. Subsequent Events

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

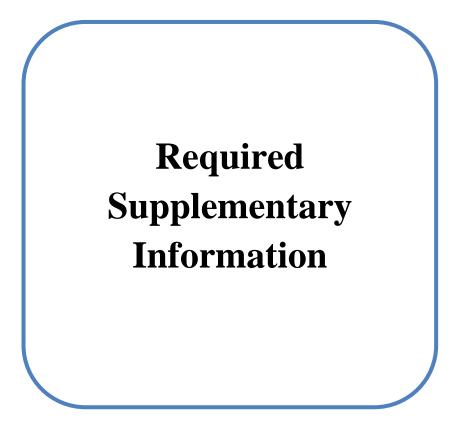
K. Subsequent Events (Continued)

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

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

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







REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST FOUR FISCAL YEARS

	Year Ended June 30,				
	2020	2019	2018	20	017
Beginning Balance of the Total Pension Liability	\$ 1,069,048	970,249	880,684	\$ 8	369,979
Changes for the Year:					
Service Cost	60,562	62,891	50,871		49,449
Interest on Total Pension Liability	38,281	30,114	33,536		30,213
Difference Between Expected and Actual Experience in the					
Measurement of the Total Pension Liability	24,162	83,614	(39,137)		-
Changes of Assumptions or Other Inputs	36,179	(43,296)	68,066	((21,588)
Benefit Payments	(34,748)	(34,524)	(23,771)	((47,369)
Net Changes	124,436	98,799	89,565		10,705
Ending Balance of the Total Pension Liability	\$ 1,193,484	1,069,048	970,249	\$ 8	380,684

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior December 31st.The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.The discount rate used for each year was as follows:3.26%3.64%3.16%3.86%

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST FOUR FISCAL YEARS

	 Year Ended June 30,					
	 2020 2019 20		2018	2017		
Total Pension Liability	\$ 1,193,484	1,069,048	970,249	\$	880,684	
Covered Payroll	\$ 2,386,117	2,282,787	2,160,041	\$	2,069,581	
Total Pension Liability as a Percentage of Covered Payroll	50.02%	46.83%	44.92%		42.55%	

Notes to Schedule:

The City has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.The discount rate used for each year was as follows:3.26%3.64%3.86%

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.201830%	0.195490%	0.185390%	0.174320%	0.176930%	0.130250%	0.129000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,511,820	4,637,691	2,832,246	3,699,654	794,051	(768,146)	\$ 1,554,945
City's Covered Payroll	\$ 12,439,887	11,705,774	10,505,338	10,120,748	9,515,789	8,378,808	\$ 7,471,416
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	44.31%	39.62%	26.96%	36.56%	8.34%	-9.17%	20.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

Notes to Schedule:

28

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

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SEVEN FISCAL YEARS

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

Notes to Schedule:

98

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

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE

HEALTHCARE BENEFIT PLAN SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

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

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior June 30th. The City implemented GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

Changes of assumptions: The following are the discount rates used in each period: 3.50% 3.87% 3.58% For 2020, the (a) mortality table was changed from MP-2017 to MP-2019 and (b) the medical trend was updated to reflect the trend used in the June 30, 2019 actuarial valuation of the North Carolina State Health Plan.



General Fund

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.

SUPPLEMENTARY INFORMATION

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

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

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2020

Sales And Services: S 75,000 69,965 Recreation Fees 19,000 21,460 Parking Fees 187,500 158,958 Cemetery Fees 15,000 19,500 Total 296,500 269,883 Investment Earnings 140,000 117,052 Miscellaneous Revenues: 84,800 37,499 Miscellaneous Revenues: 60,000 37,499 Miscellaneous Revenues: 90,140 99,786 Total 90,140 99,786 Total 90,140 99,786 Ceneral Government: 60,000 37,499 Governing Body: 38,956 39,555 Salaries and Employee Benefits 75,379 68,074 Operating Expenditures 75,379 68,074 Salaries and Employee Benefits 414,251 409,213 Operating Expenditures 148,999 155,219 Health and Wellness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278	VARIANCEFINALPOSITIVEBUDGETACTUAL(NEGATIVE)		
Facility Rent Recreation Fees \$ 75,000 69,965 Recreation Fees 19,000 21,460 Parking Fees 187,500 158,958 Cemetery Fees 15,000 19,500 Total 296,500 269,883 Investment Earnings 140,000 117,052 Miscellancous Revenues: Parking Violations and Penalties 60,000 37,499 Miscellancous 30,140 62,287 Total 90,140 99,786 TOTAL REVENUES 16,957,234 17,320,222 EXPENDITURES 38,956 39,555 Operating Expenditures 75,379 68,074 Special Appropriations 259,203 259,203 Total 373,538 366,832 Administration: 344,999 155,219 Health and Wellness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278 729,380 Finance: 381aries and Employee Benefits 262,643 228,117 Operating Expenditures </th <th></th> <th>REVENUES (CONTINUED)</th>		REVENUES (CONTINUED)	
Investment Earnings 140,000 117,052 Miscellaneous Revenues: 90,140 91,749 Parking Violations and Penalties 30,140 62,287 Total 90,140 99,786 TOTAL REVENUES 16,957,234 17,320,222 EXPENDITURES 16,957,234 17,320,222 EXPENDITURES 38,956 39,555 Operating Expenditures 75,379 68,074 Special Appropriations 259,203 259,203 Total 373,538 366,832 Administration: 34aries and Employee Benefits 414,251 409,213 Operating Expenditures 148,999 155,219 Health and Wellness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278 729,380 Finance: Salaries and Employee Benefits 262,643 228,117 Operating Expenditures 173,254 162,204 162,204 Total 729,278 729,380 - Finance: Salaries an	19,00021,4602,460187,500158,958(28,542)	Facility Rent Recreation Fees Parking Fees	
Miscellaneous Revenues: Parking Violations and Penalties60,00037,499Miscellaneous30,14062,287Total90,14092,786TOTAL REVENUES16,957,23417,320,222EXPENDITURESGeneral Government: Governing Body: Salaries and Employee Benefits38,95639,555Operating Expenditures75,37968,074Special Appropriations259,203259,203Total373,538366,832Administration: Salaries and Employee Benefits414,251409,213Operating Expenditures164,948164,948Capital Outlay1,080-Total729,278729,380Finance: Salaries and Employee Benefits262,643228,117Operating Expenditures1,080-Total729,278729,380Finance: Salaries and Employee Benefits262,643228,117Operating Expenditures1,080-Total435,897390,321City Engineer Salaries and Employee Benefits228,264213,271Operating Expenditures123,27133,832	296,500 269,883 (26,617)	Total	
Parking Violations and Penalties 60,000 37,499 Miscellaneous 30,140 62,287 Total 90,140 99,786 TOTAL REVENUES 16,957,234 17,320,222 EXPENDITURES 16,957,234 17,320,222 EXPENDITURES 38,956 39,555 General Government: 38,956 39,555 Operating Expenditures 75,379 68,074 Special Appropriations 2259,203 259,203 Total 373,538 366,832 Administration: 3148,999 155,219 Health and Wellness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278 729,380 Finance: 262,643 228,117 Sperating Expenditures 262,643 228,117 Operating Expenditures 262,643 228,117 Operating Expenditures 262,643 228,117 Operating Expenditures 262,643 228,117 Operating Expenditures 262,643	140,000 117,052 (22,948)	Investment Earnings	
TOTAL REVENUES 16,957,234 17,320,222 EXPENDITURES General Government: Governing Body: Salaries and Employee Benefits 38,956 39,555 Operating Expenditures 75,379 68,074 Special Appropriations 259,203 259,203 Total 373,538 366,832 Administration: 3148,999 155,219 Health and Welness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278 729,380 Finance: Salaries and Employee Benefits 262,643 228,117 Operating Expenditures 173,254 162,204 - Total 729,278 729,380 - Finance: Salaries and Employee Benefits 262,643 228,117 Operating Expenditures 173,254 162,204 - Total 435,897 390,321 - City Engineer Salaries and Employee Benefits 228,264 213,271 Operating Expenditures 41,102 33,832 - <td></td> <td>Parking Violations and Penalties</td>		Parking Violations and Penalties	
EXPENDITURESGeneral Governing Body: Salaries and Employee Benefits38,95639,555Operating Expenditures75,37968,074Special Appropriations259,203259,203Total373,538366,832Administration: Salaries and Employee Benefits414,251409,213Operating Expenditures148,999155,219Health and Wellness Allocation164,948164,948Capital Outlay1,080-Total729,278729,380Finance: Salaries and Employee Benefits262,643228,117Operating Expenditures173,254162,204Total435,897390,321City Engineer Salaries and Employee Benefits228,264213,271Operating Expenditures41,10233,832	90,140 99,786 9,646	Total	
General Government: Governing Body: Salaries and Employee Benefits $38,956$ $39,555$ Operating Expenditures $75,379$ $68,074$ Special Appropriations $259,203$ $259,203$ Total $373,538$ $366,832$ Administration: Salaries and Employee Benefits $414,251$ $409,213$ Operating Expenditures $148,999$ $155,219$ Health and Wellness Allocation $164,948$ $164,948$ Capital Outlay $1,080$ -Total $729,278$ $729,380$ Finance: Salaries and Employee Benefits $262,643$ $228,117$ Operating Expenditures $173,254$ $162,204$ Total $435,897$ $390,321$ City Engineer Salaries and Employee Benefits $228,264$ $213,271$ Operating Expenditures $41,102$ $33,832$	16,957,234 17,320,222 362,988	TOTAL REVENUES	
Governing Body: 38,956 39,555 Salaries and Employee Benefits 75,379 68,074 Special Appropriations 259,203 259,203 Total 373,538 366,832 Administration: 373,538 366,832 Salaries and Employee Benefits 414,251 409,213 Operating Expenditures 148,999 155,219 Health and Wellness Allocation 164,948 164,948 Capital Outlay 1,080 - Total 729,278 729,380 Finance: 262,643 228,117 Operating Expenditures 173,254 162,204 Total 729,278 729,380 Finance: 262,643 228,117 Salaries and Employee Benefits 262,643 228,117 Operating Expenditures 173,254 162,204 Total 435,897 390,321 City Engineer Salaries and Employee Benefits 228,264 213,271 Operating Expenditures 41,102 33,832		EXPENDITURES	
Administration:Salaries and Employee Benefits414,251409,213Operating Expenditures148,999155,219Health and Wellness Allocation164,948164,948Capital Outlay1,080-Total729,278729,380Finance:262,643228,117Salaries and Employee Benefits262,643228,117Operating Expenditures173,254162,204Total435,897390,321City Engineer28,264213,271Salaries and Employee Benefits228,264213,271Operating Expenditures41,10233,832	75,379 68,074 7,305 259,203 259,203 -	Governing Body: Salaries and Employee Benefits Operating Expenditures Special Appropriations	
Salaries and Employee Benefits262,643228,117Operating Expenditures173,254162,204Total435,897390,321City EngineerSalaries and Employee Benefits228,264Operating Expenditures228,264213,271Operating Expenditures41,10233,832	414,251409,2135,038148,999155,219(6,220)164,948164,948-1,080-1,080	Salaries and Employee Benefits Operating Expenditures Health and Wellness Allocation Capital Outlay	
Salaries and Employee Benefits228,264213,271Operating Expenditures41,10233,832	173,254 162,204 11,050	Salaries and Employee Benefits Operating Expenditures	
	41,102 33,832 7,270 8,100 - 8,100	Salaries and Employee Benefits Operating Expenditures Capital Outlay	

(Continued)

SUPPLEMENTARY INFORMATION

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

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

SUPPLEMENTARY INFORMATION

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

EXPENDITURES (CONTINUED)	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Development Assistance: Salaries and Employee Benefits Operating Expenditures	\$ 334,735 137,673	326,099 76,944	\$ 8,636 60,729	
Total	472,408	403,043	69,365	
Total Public Safety	10,188,763	9,314,425	874,338	
Transportation: Public Works Administration:		215 502		
Salaries and Employee Benefits Operating Expenditures	313,112 72,091	315,503 59,190	(2,391) 12,901	
Total	385,203	374,693	10,510	
Streets and Highways:				
Salaries and Employee Benefits	462,446	432,683	29,763	
Operating Expenditures	224,564	207,886	16,678	
Capital Outlay	52,100	52,043	57	
Total	739,110	692,612	46,498	
State Street Aid Allocation: Operating Expenditures	638,013	637,686	327	
Traffic Engineering:				
Salaries and Employee Benefits	232,710	228,131	4,579	
Operating Expenditures	265,750	232,023	33,727	
Capital Outlay	69,514	43,803	25,711	
Total	567,974	503,957	64,017	
Total Transportation	2,330,300	2,208,948	121,352	
Cultural and Recreation: Grounds Maintenance:				
Salaries and Employee Benefits	512,070	443,779	68,291	
Operating Expenditures	113,121	98,413	14,708	
Capital Outlay	21,977	16,482	5,495	
Total	\$ 647,168	558,674	\$ 88,494	

SUPPLEMENTARY INFORMATION

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

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

Governmental Capital Projects Funds

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.

SUPPLEMENTARY INFORMATION

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

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

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

Non-Major Governmental Funds

Special Revenue Funds

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

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.



COMBINING BALANCE SHEET -NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	NONMAJOR SPECIAL REVENUE FUNDS		NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
ASSETS					
Pooled Cash and Cash Equivalents, Restricted	\$	312,581	-	\$	312,581
Receivables, Net					
Interest		216	-		216
Taxes Grants		14,595 279,609	-		14,595 279,609
Shared Taxes		62,667	-		62,667
Note Receivable		692,825	-		692,825
TOTAL ASSETS	\$	1,362,493		\$	1,362,493
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$	33,193	-	\$	33,193
Accrued Salaries and Benefits		71	-		71
Due to Other Funds		512,425	-		512,425
Unearned Revenues		2	-		2
TOTAL LIABILITIES		545,691	-		545,691
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes		14,595	-		14,595
Unavailable Revenue - Grants Receivable		104,994	-		104,994
TOTAL DEFERRED INFLOWS OF RESOURCES		119,589	-		119,589
FUND BALANCES					
Restricted For:					
Stabilization by State Statute		930,323	-		930,323
Economic Development Public Safety		68,751 80,206	-		68,751 80,206
Cultural and Recreational		80,208 14,273	-		14,273
Committed - Organic Garden		3,230	-		3,230
Assigned For:		- , 0			-,0
Subsequent Year's Expenditures		132,125	-		132,125
Unassigned		(531,695)	-		(531,695)
TOTAL FUND BALANCES		697,213	-		697,213
TOTAL LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES, AND FUND BALANCES	\$	1,362,493		\$	1,362,493

COMBINING BALANCE SHEET -NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2020

	S	MAIN TREET TAX ISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND		
ASSETS					
Pooled Cash and Cash Equivalents, Restricted Receivables, Net Interest Taxes Grants	\$	38,046 109 12,631	100,556 107 1,964		
Shared Taxes Note Receivable		51,765	10,902		
TOTAL ASSETS	\$	102,551	113,529		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable Accrued Salaries and Benefits Due to Other Funds Unearned Revenues	\$	12,425 - - 2	1,498 71 -		
TOTAL LIABILITIES		12,427	1,569		
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes Unavailable Revenue - Grants Receivable		12,631	1,964		
TOTAL DEFERRED INFLOWS OF RESOURCES		12,631	1,964		
FUND BALANCES					
Restricted For: Stabilization by State Statute Economic Development Public Safety Cultural and Recreational		51,874 - - -	11,009 68,751 -		
Committed - Organic Garden Assigned For: Subsequent Year's Expenditures		- 25,619	3,230 27,006		
Unassigned TOTAL FUND BALANCES		77,493	- 109,996		
			107,770		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$	102,551	113,529		

DRUG FORFEITURE FEDERAL FUND	ORFEITURE GREY SAFER SP FEDERAL HOSIERY GRANT RE		HOSIERY GRANT REVENUE			GRANTS FUND	5	TOTAL SPECIAL EVENUE FUNDS
-	-	-	173,979	-	\$	312,581		
						216		
-	-	-	-	-		14,595		
-	-	-	-	279,609		279,609		
-	_	_	_			62,667		
-	-	-	-	692,825		692,825		
-	-	-	173,979	972,434	\$	1,362,493		
-	_	_	_	19,270	\$	33,193		
-	_	_	_	-	Ŷ	71		
-	-	-	-	512,425		512,425		
-	-	-	-	-		2		
				531,695		545,691		
						,		
_	_	-	-	-		14,595		
-	-	-	-	104,994		104,994		
	-	-	-	104,994		119,589		
-	-	-	-	867,440		930,323		
-	-	-	-	-		68,751		
-	-	-	80,206	-		80,206		
-	-	-	14,273	-		14,273		
-	-	-	-	-		3,230		
-	-	-	79,500	-		132,125		
-	-	-	-	(531,695)		(531,695)		
			173,979	335,745		697,213		
			· · · · ·	· · · ·		,		
	_	_	173,979	972,434	\$	1,362,493		

COMBINING BALANCE SHEET -NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2020

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

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

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS		
REVENUES					
Ad Valorem Taxes	\$ 341,455	-	\$ 341,455		
Unrestricted Intergovernmental	231,089	-	231,089		
Restricted Intergovernmental	316,962	-	316,962		
Special Events Income	71,160	-	71,160		
Investment Earnings	3,171	-	3,171		
Miscellaneous	33,890	-	33,890		
TOTAL REVENUES	997,727		997,727		
EXPENDITURES					
Current:					
Public Safety	390,841	-	390,841		
Environmental Protection	15,898	-	15,898		
Economic and Physical Development	533,430	-	533,430		
Cultural and Recreational	619	-	619		
Capital Outlay Debt Service:	265,833	-	265,833		
	36,406		26 406		
Principal Interest	17,031	-	36,406 17,031		
	-				
TOTAL EXPENDITURES	1,260,058		1,260,058		
EXCESS (DEFICIENCY) OF REVENUES OVER					
(UNDER) EXPENDITURES	(262,331)		(262,331)		
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	1,819	-	1,819		
Transfers In	120,915	-	120,915		
Transfers Out	(79,946)	-	(79,946)		
TOTAL OTHER FINANCING SOURCES (USES)	42,788		42,788		
NET CHANGE IN FUND BALANCES	(219,543)	-	(219,543)		
FUND BALANCES, Beginning of Year, as Previously Reported	1,006,486	124,405	1,130,891		
Reclassification of Fund Balances	(89,730)	(124,405)	(214,135)		
FUND BALANCES, Beginning of Year, Restated	916,756		916,756		
FUND BALANCES, End of Year	\$ 697,213		\$ 697,213		

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

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND
REVENUES		
Ad Valorem Taxes Unrestricted Intergovernmental Restricted Intergovernmental	\$ 306,316 192,574	35,139 38,515 -
Special Events Income	67,196	3,964
Investment Earnings	2,127	1,044
Miscellaneous	12,821	5,000
TOTAL REVENUES	581,034	83,662
EXPENDITURES		
Current:		
Public Safety	-	-
Environmental Protection	-	-
Economic and Physical Development	459,195	63,763
Cultural and Recreational	-	-
Capital Outlay Debt Service:	-	-
Principal	36,406	_
Interest	17,031	-
TOTAL EXPENDITURES	512,632	63,763
		,
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,402	19,899
(UNDER) EAFENDITURES	00,402	19,099
OTHER FINANCING SOURCES (USES)		
Insurance Proceeds	1,819	-
Transfers In Transfers Out	- (79,946)	-
TOTAL OTHER FINANCING SOURCES (USES)	(78,127)	
TOTAL OTHER THATCHTG SOURCES (USES)	(70,127)	
NET CHANGE IN FUND BALANCES	(9,725)	19,899
FUND BALANCES, Beginning of Year, as Previously Reported	87,218	90,097
Reclassification of Fund Balances	-	-
FUND BALANCES, Beginning of Year, Restated	87,218	90,097
FUND BALANCES, End of Year	\$ 77,493	109,996

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

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

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

Special Revenue Funds

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

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

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

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

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

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

REVENUES		FINAL UDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Ad Valorem Taxes: Taxes	\$	25 100	25.002	\$	(100)
Penalties and Interest	Ф	35,190 100	35,002 137	Ф	(188) 37
Sales and Use Taxes		38,557	38,515		(42)
Special Events Income		405	3,964		3,559
Investment Earnings		900	1,044		144
Miscellaneous		5,000	5,000		-
TOTAL REVENUES		80,152	83,662		3,510
EXPENDITURES					
Current:					
Economic and Physical Development					
Salaries and Employee Benefits		59,046	46,190		12,856
Operating Expenditures		40,231	17,573		22,658
TOTAL EXPENDITURES		99,277	63,763		35,514
EXCESS (DEFICIENCY) OF REVENUES OVER					
(UNDER) EXPENDITURES		(19,125)	19,899		39,024
Fund Balance Appropriated		19,125			(19,125)
NET CHANGE IN FUND BALANCE	\$		19,899	\$	19,899
FUND BALANCE, Beginning of Year		_	90,097		
FUND BALANCE, End of Year		_	\$ 109,996		

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

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

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

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

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

YEAR ENDED JUNE 30, 2020

	PROJECT AUTHOR- IZATION	PRIOR YEARS (1)	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Grant Revenue - CDBG	\$ 500,000	500,000	-	500,000	\$ -
Grant Revenue - DOJ	-	15,870	-	15,870	15,870
Grant Revenue - NCDPS Grant Revenue - FEMA	24,296 1,551,616	53.552	24,296 269,838	24,296 323,390	- (1,228,226)
Grant Revenue - NCDENR	582,379	416,002	-	416,002	(1,228,220) (166,377)
Grant Revenue - NCDOT	-	4,530	-	4,530	4,530
Restricted Intergovernmental	10,000	16,807	4,188	20,995	10,995
Miscellaneous:					
Developer Reimbursement	40,000	39,945	-	39,945	(55)
TOTAL REVENUES	2,708,291	1,046,706	298,322	1,345,028	(1,363,263)
EXPENDITURES					
Current:					
Police Department					
Operating Expenditures	99,296	4,530	31,796	36,326	62,970
Fire Department Salaries and Employee Benefits	1 550 604	00 051	242 226	421 197	1 110 507
Contingencies	1,550,694 922	88,851	342,336	431,187	1,119,507 922
Environmental Protection)22)22
Professional Services	578,379	505,732	15,898	521,630	56,749
Contingencies	4,000	-	-	-	4,000
Economic and Physical Development	200.040	10.000	10.450	1 45 255	
Operating Expenditures	390,840	136,903	10,472	147,375	243,465
Capital Outlay		-	265,833	265,833	(265,833)
TOTAL EXPENDITURES	2,624,131	736,016	666,335	1,402,351	1,221,780
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	84,160	310,690	(368,013)	(57,323)	(141,483)
OTHER FINANCING SOURCES (USES)					
Transfers Out	(530,075)	(1,525)	_	(1,525)	528,550
Transfers In	565,187	457,950	120,915	578,865	13,678
TOTAL OTHER FINANCING SOURCES (USES)	35,112	456,425	120,915	577,340	542,228
SPECIAL ITEMS					
Loss on Grey Hosiery Mill Redevelopment	(184,272)	(184,272)	-	(184,272)	-
TOTAL SPECIAL ITEMS	(184,272)	(184,272)		(184,272)	-
Fund Balance Appropriated	65,000				(65,000)
NET CHANGE IN FUND BALANCE	\$ -	582,843	(247,098)	335,745	\$ 335,745
FUND BALANCE, Beginning of Year, as Previously Reported			-		
Reclassification of Fund Balance			582,843		
FUND BALANCE, Beginning of Year, Restated			582,843		
FUND BALANCE, End of Year			\$ 335,745		
			\$ 200,110		

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



Enterprise Funds

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.

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

Engineering: S 603,528 530,364 \$ Repairs and Maintenance 915 -	ARIANCE
Salaries and Employee Benefits \$ 603,528 530,364 \$ Capital Outlay 915 -	
Capital Outlay 18,300 - Other Departmental Expense 88,803 43,607 Total 711,546 573,971 Facilities Maintenance: 53 578,801 Salaries and Employce Benefits 621,732 578,801 Contracted Services 155,302 139,757 Supplies 49,980 34,559 Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: Salaries and Employce Benefits 811,974 797,932 Contracted Services 143,700 86,121 Utilities Utilities 351,564 240,852 249,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 209,022 209,022 209,022 209,022 209,022 209,022 214,692 209,022 209,022	73,164
Other Departmental Expense 88,803 43,607 Total 711,546 573,971 Facilities Maintenance: 621,732 578,801 Salaries and Employce Benefits 621,732 578,801 Contracted Services 155,302 139,757 Supplies 49,980 34,559 Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 351,564 240,852 Salaries and Employee Benefits 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 <tr< td=""><td>915</td></tr<>	915
Total 711,546 573,971 Facilities Maintenance: 5alaries and Employee Benefits 621,732 578,801 Contracted Services 155,302 139,757 Supplies Repairs and Maintenance 247,734 125,808 Capital Outlay Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: Salaries and Employee Benefits 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 73,300 548,144 Other Departmental Expense 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 0 Operations Support: Salaries and Employee Benefits 619,691 565,802 34	18,300
Facilities Maintenance: Salaries and Employee Benefits 621,732 578,801 Contracted Services 155,302 139,757 Supplies 49,980 34,559 Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Suppl	45,196
Salaries and Employee Benefits $621,732$ $578,801$ Contracted Services 155,302 139,757 Supplies 49,980 34,559 Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Repairs and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 <td>137,575</td>	137,575
Contracted Services 155,302 139,757 Supplies 49,980 34,559 Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 34,310 674,439 <td></td>	
Supplies 49,980 $34,559$ Repairs and Maintenance $247,734$ $125,808$ Capital Outlay $570,000$ $443,748$ Other Departmental Expense $356,909$ $273,281$ Total $2,001,657$ $1,595,954$ Water Treatment Plant: $811,974$ $797,932$ Contracted Services $143,790$ $86,121$ Utilities $351,564$ $240,852$ Chemicals $469,650$ $445,680$ Supplies $78,875$ $87,341$ Repairs and Maintenance $107,240$ $94,827$ Capital Outlay $573,300$ $548,144$ Other Departmental Expense $214,692$ $209,022$ Total $2,751,085$ $2,509,919$ Operations Support: $34,632$ $30,122$ Repairs and Maintenance $13,528$ $15,037$ Other Departmental Expense $66,250$ $63,478$ Total $734,101$ $674,439$ Water Distribution: $34,614$ $30,122$ <t< td=""><td>42,931</td></t<>	42,931
Repairs and Maintenance 247,734 125,808 Capital Outlay 570,000 443,748 Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 66,250 63,478 Total 734,101 674,439 734,101 674,439	15,545
Capital Outlay $570,000$ $443,748$ Other Departmental Expense $356,909$ $273,281$ Total $2,001,657$ $1,595,954$ Water Treatment Plant: $811,974$ $797,932$ Contracted Services $143,790$ $86,121$ Utilities $351,564$ $240,852$ Chemicals $469,650$ $445,680$ Supplies $78,875$ $87,341$ Repairs and Maintenance $107,240$ $94,827$ Capital Outlay $573,300$ $548,144$ Other Departmental Expense $214,692$ $209,022$ Total $2,751,085$ $2,509,919$ Operations Support: $34,632$ $30,122$ Repairs and Employee Benefits $619,691$ $565,802$ Supplies $34,632$ $30,122$ Repairs and Maintenance $13,528$ $15,037$ Other Departmental Expense $66,250$ $63,478$ Total $734,101$ $674,439$ Water Distribution: $334ares$ and Employee Benefits $1,342,100$ <	15,421
Other Departmental Expense 356,909 273,281 Total 2,001,657 1,595,954 Water Treatment Plant: 811,974 797,932 Salaries and Employee Benefits 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 66,250 63,478 Total 734,101 674,439 734,101 674,439	121,926
Total 2,001,657 1,595,954 Water Treatment Plant: Salaries and Employee Benefits 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 66,250 63,478 Total 734,101 674,439 Water Distribution: Salaries and Employee Benefits 1,342,100 1,280,622	126,252
Water Treatment Plant: Salaries and Employee Benefits 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 15,037 0ther Departmental Expense 66,250 63,478 Total 734,101 674,439 1,342,100 1,280,622	83,628
Salaries and Employee Benefits 811,974 797,932 Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439	405,703
Contracted Services 143,790 86,121 Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: Salaries and Employee Benefits 1,342,100 1,280,622	
Utilities 351,564 240,852 Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439	14,042
Chemicals 469,650 445,680 Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 3alaries and Employee Benefits 1,342,100	57,669
Supplies 78,875 87,341 Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	110,712
Repairs and Maintenance 107,240 94,827 Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Repairs and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439	23,970
Capital Outlay 573,300 548,144 Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 53aries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 53laries and Employee Benefits 1,342,100 Salaries and Employee Benefits 1,342,100 1,280,622	(8,466)
Other Departmental Expense 214,692 209,022 Total 2,751,085 2,509,919 Operations Support: 34,632 30,122 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	12,413
Total 2,751,085 2,509,919 Operations Support: Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	25,156
Operations Support: 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	5,670
Salaries and Employee Benefits 619,691 565,802 Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	241,166
Supplies 34,632 30,122 Repairs and Maintenance 13,528 15,037 Other Departmental Expense 66,250 63,478 Total 734,101 674,439 Water Distribution: 1,342,100 1,280,622	
Repairs and Maintenance13,52815,037Other Departmental Expense66,25063,478Total734,101674,439Water Distribution: Salaries and Employee Benefits1,342,1001,280,622	53,889
Other Departmental Expense66,25063,478Total734,101674,439Water Distribution: Salaries and Employee Benefits1,342,1001,280,622	4,510
Total734,101674,439Water Distribution: Salaries and Employee Benefits1,342,1001,280,622	(1,509)
Water Distribution: Salaries and Employee Benefits1,342,1001,280,622	2,772
Salaries and Employee Benefits 1,342,100 1,280,622	59,662
	61,478
Contracted Services 61,643 20,776	40,867
Supplies 154,581 121,351	33,230
Repairs and Maintenance398,433376,127	22,306
Capital Outlay 231,122 417,435	(186,313)
Other Departmental Expense 147,153 120,572	26,581
Total \$ 2,335,032 2,336,883 \$	(1,851)

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

	FINAL BUDGET	ACTUAL	VARIANCE
Wastewater Treatment Plant:			
Salaries and Employee Benefits	\$ 641,984	650,083	\$ (8,099)
Contracted Services	40,900	36,836	4,064
Sludge Management	220,800	224,168	(3,368)
Utilities	336,000	284,948	51,052
Supplies	36,600	32,280	4,320
Repairs and Maintenance	182,432	183,053	(621)
Capital Outlay	73,371	73,371	-
Other Departmental Expense	74,299	63,955	10,344
Total	1,606,386	1,548,694	57,692
Wastewater Collection:			
Salaries and Employee Benefits	638,872	628,153	10,719
Contracted Services	40,000	25,860	14,140
Supplies	99,730	66,457	33,273
Repairs and Maintenance	287,228	174,858	112,370
Capital Outlay	3,899	12,169	(8,270)
Other Departmental Expense	112,805	82,705	30,100
Total	1,182,534	990,202	192,332
Debt Service:			
Principal Retirement	2,711,349	2,711,348	1
Interest and Other Charges	478,211	470,481	7,730
Total Debt Service	3,189,560	3,181,829	7,731
TOTAL EXPENDITURES	18,624,617	17,156,208	1,468,409
REVENUES OVER (UNDER) EXPENDITURES	(2,089,491)	(776,200)	1,313,291
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,089,491)	(776,200)	1,313,291
OTHER FINANCING SOURCES (USES)	(_,,,,,,,,,))	(110,200)	-,,,
Issuance of Debt	6,209,842	(200 941	(1)
		6,209,841 (6,209,841)	(1)
Payments to Refunding Debt Escrow Agent Transfers In	(6,209,842)		1
	392,000 (502,182)	392,000	-
Transfers Out Insurance Proceeds	(593,183)	(343,183)	250,000
Sale of Capital Assets	7,025	5,103 9,164	5,103 2,139
-			
TOTAL OTHER FINANCING SOURCES (USES)	(194,158)	63,084	257,242
Fund Balance Appropriated	\$ 2,283,649		\$ (2,283,649)

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

	FINAL BUDGET	ACTUAL	VA	ARIANCE
REVENUES AND OTHER FINANCING SOURCES OVER	<u> </u>			
(UNDER) EXPENDITURES AND OTHER USES	\$ -	(713,1	16) \$	(713,116)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Issuance of Debt		(6,209,8	41)	
Payment of Debt Principal		2,711,3	48	
Payments to Refunding Debt Escrow Agent		6,209,84	41	
Expenditures in Enterprise Capital Project Funds that were not Capitalized		(351,1	38)	
Capital Outlay		1,531,4	67	
Capital Contributions		2,876,9	42	
Interest Earned on Investments in Enterprise Capital Project Funds		16,4	46	
Change in Accrued Interest		68,3	39	
Depreciation		(3,267,6	10)	
Change in Net Pension (Liability) and Deferred Items Related to Pensions		(528,9	00)	
Change in Other Postemployment Benefits		85,0	36	
Change in Compensated Absences		(85,9)	32)	
Transfers In in Enterprise Fund Capital Project Funds		63,1	83	
Transfers Out in Enterprise Capital Project Fund		(142,0	00)	
CHANGE IN NET POSITION		\$ 2,264,0	65	

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2020

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

(Continued)

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - STORMWATER FUND

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

DEVENILES		FINAL UDGET	ACTUAL	VARIANCE	
REVENUES					
Operating Revenues: Stormwater Fees	\$	326,040	378,635	\$	52,595
Total Operating Revenues		326,040	378,635		52,595
Nonoperating Revenues: Interest Earned on Investments		750	707		(43)
Total Nonoperating Revenues		750	707		(43)
TOTAL REVENUES		326,790	379,342		52,552
EXPENDITURES					
Stormwater Salaries and Employee Benefits Contracted Services Other Departmental Expenses		192,315 108,677 13,884	159,196 108,585 10,751		33,119 92 3,133
Total		314,876	278,532		36,344
Capital Outlay		253,276	250,976		2,300
TOTAL EXPENDITURES		568,152	529,508		38,644
REVENUES OVER (UNDER) EXPENDITURES		(241,362)	(150,166)		91,196
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		(241,362)	(150,166)		91,196
OTHER FINANCING SOURCES (USES)					
Issuance of Debt		226,000	226,000		-
TOTAL OTHER FINANCING SOURCES (USES)		226,000	226,000		-
Fund Balance Appropriated		15,362	-		(15,362)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$		75,834	\$	75,834
Reconciliation from budgetary basis (modified accrual) to full accrual: Issuance of Debt Depreciation Expenditures in Enterprise Capital Project Funds that were not Capitali Capital Outlay Capital Contributions Grant Revenue in Enterprise Capital Project Funds Change in Accrued Interest Change in Compensated Absences CHANGE IN NET POSITION	zed		(226,000) (25,160) (1,687) 250,976 21,843 36,789 (108) (6,010) \$ 126,477		

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.

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

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



Internal Service Funds

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

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

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

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

Agency Funds

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

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

ASSETS	ANCE AT E 30, 2019	ADDITIONS	DEDUCTIONS	ANCE AT E 30, 2020
Cash and Cash Equivalents	\$ 8,135	30,194	22,835	\$ 15,494
TOTAL ASSETS	\$ 8,135	30,194	22,835	\$ 15,494
LIABILITIES				
Amounts Held for Custody for Others	\$ 8,135	30,194	22,835	\$ 15,494
TOTAL LIABILITIES	\$ 8,135	30,194	22,835	\$ 15,494



SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

Fiscal year	ncollected Balance ne 30, 2019	Additions	Collections and Credits	ncollected Balance ne 30, 2020
2019-2020	\$ -	10,527,833	10,384,754	\$ 143,079
2018-2019	127,941	-	60,960	66,981
2017-2018	58,780	-	24,283	34,497
2016-2017	27,414	-	7,349	20,065
2015-2016	34,640	-	10,902	23,738
2014-2015	22,057	-	7,586	14,47
2013-2014	23,262	-	7,870	15,392
2012-2013	7,299	-	(2,444)	9,743
2011-2012	10,222	-	(13)	10,23
2010-2011	9,922	-	39	9,883
2009-2010	9,487	-	39	9,448
2008-2009	15,108	-	549	14,55
2007-2008	18,966	-	362	18,604
2006-2007	12,697	-	2,679	10,013
2005-2006	 8,926	-	6,335	 2,59
	\$ 386,721	10,527,833	10,511,250	403,304
	Less allow	ance for uncollectible ad v	alorem taxes receivable	 172,75
	em taxes receivable, net	\$ 230,554		
	Reconcilemen	t with revenues:		
		xes - General Fund cted on ad valorem taxes -	Agency Fund	\$ 10,542,23 12,68
	Reconciling ite Interest co Discounts	llected		(43,66

Total collections and credits\$10,511,250

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

					Total Levy		
Original Levy:	Cl Property Valuation	ITY-WIDE Rate	Amount of Levy	Property Excluding Registered Motor Vehicles		Registered Motor Vehicles	
Original Levy.	v aluation	Kate	 01 Levy	which we make s	WIOU	of venicies	
Property at current year's rate	\$ 2,151,764,372	0.49	\$ 10,543,645	9,850,137	\$	693,508	
Penalties			 18,906	18,906		-	
Total	2,151,764,372		 10,562,551	9,869,043		693,508	
Discoveries:							
Current year taxes	3,611,224	0.49	17,695	17,695			
Penalties			 9,857	9,857			
Releases:			27,552	27,552			
Current year taxes	(11,610,612)	0.49	(56,892)	(56,892)			
Penalties	-		(5,378)	(5,378)			
Total property valuation	\$ 2,143,764,984		(62,270)	(62,270)			
Net levy			10,527,833	9,834,325		693,508	
Uncollected taxes at June 30, 2020			 143,079	143,079		6,199	
Current year's taxes collected			\$ 10,384,754	9,691,246	\$	687,309	
Current levy collection percentage			98.64%	98.55%		99.11%	

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

YEAR ENDED JUNE 30, 2020

Fiscal year	В	collected alance e 30, 2019	Additions	Collections and Credits	ł	collected Balance e 30, 2020	
2019-2020	\$	-	305,304	302,156	\$	3,148	
2018-2019		5,246	-	384		4,862	
2017-2018		3,587	-	57		3,530	
2016-2017		1,321	-	-		1,32	
2015-2016		1,210	-	590		620	
2014-2015		1,170	-	706		464	
2013-2014		1,786	-	791		995	
2012-2013		229	-	-		229	
2011-2012		151	-	-		151	
2010-2011		5	-	-		4	
2009-2010		1,042	-	-		1,042	
2008-2009		488	-	-		488	
2007-2008		951	-	-		95	
2006-2007		734	-	-		734	
2005-2006		246	-	-		246	
	\$	18,166	305,304	304,684		18,786	
		Less allow	ance for uncollectible ad v	alorem taxes receivable		6,15	
			Ad valore	em taxes receivable, net	\$	12,63	
		Reconcilement	t with revenues:				
			es - Main Street Tax District Fund \$ 306, ted on ad valorem taxes - Agency Fund 1,				
Reconciling items: Interest collected Discounts allowed						(2,71	

Total collections and credits\$304,684

ANALYSIS OF CURRENT TAX LEVY - MAIN STREET TAX DISTRICT FUND

					Total Levy			
Original Levy:	MAIN STRE Property Valuation	EET TAX I Rate	A	CT mount f Levy	8		istered Vehicles	
Property at current year's rate	\$ 116,088,892	0.26	\$	301,831	298,298	\$	3,533	
Penalties				947	947		-	
Total	116,088,892			302,778	299,245		3,533	
Discoveries: Current year taxes Penalties	920,385	0.26		2,393 771 3,164	2,393 771 3,164			
Releases: Current year Penalties Total property valuation	(1,923) 	0.26		(5) (633) (638)	(5) (633) (638)			
Net levy				305,304	301,771		3,533	
Uncollected taxes at June 30, 2020				3,148	3,148		-	
Current year's taxes collected			\$	302,156	298,623	\$	3,533	
Current levy collection percentage				98.97%	98.96%		100.00%	

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

YEAR ENDED JUNE 30, 2020

Uncollected Balance June 30, 2020	Collections and Credits	Additions	ncollected Balance ne 30, 2019	B	Fiscal year	
\$ 1,1	34,037	35,211	_	\$	2018-2019	
	510	-	826	·	2018-2019	
	41	-	85		2017-2018	
1	80	-	231		2016-2017	
	16	-	44		2015-2016	
	20	-	77		2014-2015	
	26	-	31		2013-2014	
	-	-	-		2012-2013	
	-	-	-		2011-2012	
	-	-	-		2010-2011	
	-	-	9		2009-2010	
1	-	-	146		2008-2009	
1	-	-	109		2007-2008	
	-	-	44		2006-2007	
		-	10		2005-2006	
2,0	34,730	35,211	1,612	\$		
1	rem taxes receivable	nce for uncollectible ad va	Less allowa			
\$ 1,9	taxes receivable, net	Ad valore				
		with revenues:	Reconcilement			
\$ 35,1 3	Ad valorem taxe Penalties collec					
(7	Reconciling items: Interest collected Discounts allowed					

Total collections and credits\$34,730

ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2020

					Total	Levy	
Original Levy:	SEVENTH A Property Valuation	VENUE TA	ŀ	TRICT Amount of Levy	Property Excluding Registered Motor Vehicles		egistered or Vehicles
Property at current year's rate	\$ 20,322,794	0.17	\$	34,549	32,317	\$	2,232
Penalties	<u> </u>			-			-
Total	20,322,794			34,549	32,317		2,232
Discoveries: Current year taxes Penalties	520,588	0.17		885 436 1,321	885 436 1,321		
Releases: Current year Penalties	(347,647)	0.17		(591) (68)	(591) (68)		
Total property valuation	\$ 20,495,735	:		(659)	(659)		
Net levy				35,211	32,979		2,232
Uncollected taxes at June 30, 2020				1,174	1,174		-
Current year's taxes collected			\$	34,037	31,805	\$	2,232
Current levy collection percentage				96.67%	96.44%		100.00%







STATISTICAL SECTION TABLE OF CONTENTS

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

Contents	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	141
Revenue Capacity Information These schedules contain information to help the reader assess the City's most significant local revenue source.	147
Debt Capacity Information 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.	151
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	155
Operating Information 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.	157

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



NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

UNAUDITED

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

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

UNAUDITED

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

(Continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

UNAUDITED

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

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

UNAUDITED

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

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

UNAUDITED

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

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

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

UNAUDITED

					Fiscal Y	lear				
-	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other Financing Sources (Uses):										
e ()	s -	-	-	-	-	-	-	1,352,000	-	\$ 11,500,000
Proceeds of Debt - Notes Payable	-	-	6,000,000	-	242,500	78,533	655,000	-	2,965,100	-
Issuance of Capital Lease	-	-	-	-	-	-	-	-	-	521,478
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	-	(1,321,397)	-	-
Sale of Capital Assets	-	-	-	-	18,090	2,125	8,972	1,700	23,207	1,151
Insurance Recovery	-	-	-	-	57,073	96,383	43,855	50,186	43,780	63,617
Operating Transfers From (To) Other Funds:										
Enterprise Fund:										
Environmental Services Fund	(249,790)	(285,270)	(269,940)	(127,840)	-	-	-	-	-	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(100,880)	-	138,947	26,474	625,539	378,250	30,000
Storm Water fund	-	-	-	-	-	-	-	(90,584)	(42,000)	-
Health & Welfare Fund	-	(81,640)	-	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	313,360	303,840	293,970	-	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	(245,472)	(1,100,266)	-	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	(27,600)	-	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	100,000	100,000	100,000	100,000	100,000	-	-	-	-	-
Main Street Tax District	(27,350)	-	-	-	(100,000)	-	-	-	-	-
Main Street Tax District - Main Street Project	(66,412)	-	(45,000)	189,046	-	-	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(24,690)	(23,390)	(38,080)	(37,470)	-	-	-	-	-	-
Rails-to-Trails Project Grant Fund	-	(16,785)	-	-	-	-	-	-	-	-
Britton Creek Stormwater Master Plan Project	(5,556)	-	-	-	-	-	-	-	-	-
	(306,790)	(1,204,391)	5,912,470	22,856	317,663	315,988	734,301	617,444	3,368,337	12,116,246
Special Items	-	-	-	-	-	-	-	-	(184,272)	-
Net Change in Fund Balances	\$ 127,607	(2,258,409)	4,434,142	(3,625,860)	(493,081)	332,714	(572,541)	(425,053)	(531,585)	\$ 10,816,122
Capital Asset Expenditures	\$ 847,347	2,348,420	2,815,434	4,064,359	1,333,272	2,031,608	2,298,582	1,363,198	4,804,733	\$ 2,833,501
= Debt Service as a Percentage of Noncapital Expenditures *	5.4%	5.4%	5.5%	8.7%	7.9%	8.3%	7.7%	7.0%	5.5%	6.4%
=	J. 4 70	J. H 70	5.570	0.//0	1.7/0	0.370	/./70	/.070	5.570	0.47

* - Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net position and capitalized assets within the functional expenditure categories. This percentage equals total debt service divided by the noncapital expenditures. Debt service expenditures were included as part of noncapitalized expenditures.

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	 Assessed Rea Commercial Property			Property Other	Ended Tax-Exempt			Total Taxable Direct Assessed Tax Value Rate				Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value	
2011	\$ 825,118,067	735,001,163	77,596,316	\$	132,738,061	2011	\$	14,801,507	\$	1,755,652,100	0.71	\$	1,757,636,949	99.9%
2012	757,796,620	677,032,408	76,152,188		139,388,978	2012		13,742,694		1,636,627,500	0.81		1,640,526,547	99.8%
2013	750,214,548	681,531,593	79,490,976		133,819,795	2013		13,813,812		1,631,243,100	0.81		1,639,936,739	99.5%
2014	867,439,562	601,013,269	133,799,024		111,836,701	2014		13,190,519		1,700,898,037	0.81		1,700,916,367	100.0%
2015	860,792,797	622,571,755	121,051,969		130,347,339	2015		10,594,200		1,724,169,660	0.84		1,733,530,726	99.5%
2016	869,531,034	628,891,720	127,865,067		126,562,294	2016		13,449,401		1,739,400,714	0.86		1,844,539,463	94.3%
2017	869,827,543	629,106,171	136,782,391		117,221,370	2017		13,914,601		1,739,022,874	0.86		2,003,482,574	86.8%
2018	881,579,895	637,606,103	134,141,102		115,895,380	2018		13,876,051		1,755,346,429	0.87		2,017,639,574	87.0%
2019	758,917,288	777,919,406	141,273,265		137,921,560	2019		13,565,701		1,802,465,818	0.89		2,025,242,492	89.0%
2020	\$ 940,032,962	920,894,622	141,532,245	\$	154,779,155	2020	\$	13,474,000	\$	2,143,764,984	0.92	\$	2,330,179,330	92.0%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2020. Tax rates are per \$100 of assessed value.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

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

Source: Henderson County Tax Assessors Office

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	202	0 Fiscal Y	ear	2011 Fiscal Year					
Taxpayer	 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		
Triangle Real Estate, Inc	\$ 46,548,900	1	2.17%	\$	11,383,100	7	0.65%		
Ingles Market Incorporated	37,378,100	2	1.74%		20,864,600	1	1.19%		
Walmart Real Estate Business	23,451,600	3	1.09%		18,598,000	2	1.06%		
Boyd Hyder	23,211,390	4	1.08%		16,927,800	3	0.96%		
Lake Pointe Landing Highland Investors	17,644,339	5	0.82%		14,907,800	4	0.85%		
BabyFish Three LLC	13,713,600	6	0.64%		-				
Henderson Crossing Shopping Center	12,941,800	7	0.60%		11,432,500	6	0.65%		
Publix North Carolina, LP	12,863,372	8	0.60%		-				
Sam's Real Estate Business	12,469,600	9	0.58%		-				
Blue Ridge Mall LLC	12,351,250	10	0.58%		11,698,500	5	0.67%		
Lowe's Home Center Inc	10,446,081				10,910,700	9	0.62%		
Home Depot	-				10,913,600	8	0.62%		
First Citizens Bank	 -				9,349,100	10	0.53%		
Totals	\$ 223,020,032		9.90%	\$	136,985,700		7.80%		

Source: City of Hendersonville Tax Collector

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	C	(1) Driginal Tax	Adjustments to Original Tax	Adjusted Tax	 Collected with Year of t	he Levy	Fiscal Year		lections in	 Total Collec	tions to Date
Ended June 30	. 1	Levy for Fiscal Year	Levy for Fiscal Year	Levy for Fiscal Year	Amount	Percentage of Levy	Ended June 30	Su	bsequent Years	Amount	Percentage
June 30	<u> </u>	riscal year	Fiscal Year	Fiscal Year	 Amount	of Levy	June 30	_	rears	 Amount	of Levy
2011	\$	6,252,523	428,397	6,680,920	\$ 6,471,376	96.86%	2011	\$	199,163	\$ 6,670,539	99.84%
2012		6,381,455	334,934	6,716,389	6,526,647	97.17%	2012		178,135	6,704,782	99.83%
2013		6,368,893	324,190	6,693,083	6,553,545	97.92%	2013		131,358	6,684,903	99.88%
2014		6,416,260	4,186	6,420,446	6,329,186	98.58%	2014		73,212	6,402,398	99.72%
2015		6,931,559	4,513	6,936,072	6,788,334	97.87%	2015		107,633	6,895,967	99.42%
2016		7,890,120	106,715	7,996,835	7,837,894	98.01%	2016		103,950	7,941,844	99.31%
2017		7,997,213	11,895	8,009,108	7,862,484	98.17%	2017		126,559	7,989,043	99.75%
2018		8,294,356	(35,435)	8,258,921	8,116,296	98.27%	2018		108,127	8,224,423	99.58%
2019		8,801,346	23,980	8,825,326	8,697,385	98.55%	2019		77,464	8,774,849	99.43%
2020	\$	10,562,551	(34,718)	10,527,833	\$ 10,384,754	98.64%	2020	\$	-	\$ 10,384,754	98.64%

Source: Source: City Tax Collector

(1) Includes Motor Vehicle Valuation.

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal	Governmental Activities Business-Type Activities					ies						
Year Ended June 30	General Obligation Bonds		Capital Notes Lease Payable		General Obligation Other Bonds Bonds		Notes Payable	· · · · · · ·		Percentage of Personal Income		Per Capita
2011	\$	2,630,000	-	1,750,000	-	-	14,822,447	\$	19,202,447	486.6%	\$	1,456
2012		2,440,000	-	1,516,667	-	-	25,289,495		29,246,162	713.6%		2,203
2013		2,250,000	-	7,283,333	-	-	23,503,653		33,036,986	781.1%		2,485
2014		2,060,000	-	6,750,000	-	-	20,902,442		29,712,442	773.3%		2,205
2015		1,870,000	-	6,459,167	-	-	27,283,746		35,612,913	883.4%		2,079
2016		1,680,000	-	5,897,427	-	-	24,262,654		31,840,081	752.5%		2,303
2017		1,490,000	-	5,910,294	-	-	21,057,370		28,457,664	638.9%		2,023
2018		1,343,000	-	5,272,299	-	-	18,515,329		25,130,628	527.4%		1,771
2019		1,177,000	-	7,772,261	-	-	16,569,675		25,518,936	479.3%		1,791
2020	\$	1,013,000	497,781	18,666,884	-	12,100,000	10,814,841	\$	43,092,506	*	\$	3,018

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

* Information not available.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	 Total	Percentage of Estimated Actual Taxable Value of Property	 Per Capita
2011	\$ 2,630,000	-	\$ 2,630,000	0.15%	\$ 200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155
2015	1,870,000	-	1,870,000	0.11%	139
2016	1,680,000	-	1,680,000	0.09%	122
2017	1,490,000	-	1,490,000	0.07%	106
2018	1,343,000	-	1,343,000	0.06%	95
2019	1,177,000	-	1,177,000	0.06%	83
2020	\$ 1,013,000	-	\$ 1,013,000	0.05%	\$ 71

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2020

UNAUDITED

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

- Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding provided by the applicable government.
- Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City of Hendersonville's taxable assessed value that is within the government's boundaries and dividing it by the City of Hendersonville's total taxable assessed value.
- Note 2: Overlapping rates are those of county and local governments that apply to property owners within the City of Hendersonville. Not all overlapping rates apply to all of the City of Hendersonville's property owners (i.e., the rates for fire/special purpose districts apply only to the proportion of the City of Hendersonville's property owners whose property is located within the geographic boundaries of the fire/special purpose district).

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

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

Legal Debt Margin Calculation for Fiscal Year

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

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

Data Sources:

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

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	202	0 Fiscal Y	ear	201	1 Fiscal Y	ear
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,922	1	13.49%	1,852	1	14.04%
Pardee Hospital	1,484	2	10.41%	1,253	2	9.50%
Park Ridge Health	1,202	3	8.43%	1,125	3	8.53%
Henderson County Government	1,077	4	7.56%	720	5	5.46%
Ingles	1,035	5	7.26%	750	4	5.69%
Meritor Heavy Vehicle Systems LLC	592	6	4.15%	550	8	4.17%
Continental Automotive Systems	572	7	4.01%	-		
GE	521	8	3.66%	395	10	2.99%
Wilsonart	455	9	3.19%	680	6	5.16%
Sierra Nevada Brewing Co.	440	10	3.09%	-		
Wal-Mart Associates Inc.	422			450	9	3.41%
Steelcase, Incorporated	-			680	7	5.16%
Totals	9,722		65.25%	8,455		64.11%

Source: NC Department of Commerce

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

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

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

					Fiscal	Year				
Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Building Permits Issued:										
Residential	95	125	305	307	119	130	101	221	256	309
Commercial	252	147	112	90	87	110	110	105	105	97
Public Safety - Police										
Physical Arrests	1,667	1,539	1,646	1,544	1,602	2,723	1,195	909	1,793	787
Traffic Violations	2,720	2,482	2,631	2,664	2,250	2,017	2,040	2,133	2,239	2,862
Parking Violations	1,980	1,806	2,762	2,317	2,216	3,029	2,462	1,790	1,415	854
Public Safety - Fire										
Number of Fire Calls Answered	1,779	2,111	3,270	3,401	4,121	4,352	4,761	4,638	4,499	3,855
Inspections Conducted	883	502	478	370	583	955	1,679	4,318	3,985	4,573
Water										
Number of Service Connections	25,618	25,552	25,514	26,446	26,723	30,000	27,449	28,415	29,986	29,308
Average Daily Production in Gallons	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896	6,942,134
Sewer										
Number of Service Connections	8,146	8,274	8,503	8,751	9,035	9,500	9,067	9,411	9,461	9,699
Average Daily Treatment in Gallons	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584	2,636,585
Solid Waste										
Refuse Collected (Tons per Year)	3,550	3,325	3,293	3,353	3,519	3,438	3,325	4,031	3,326	3,414
Recycling Collections (Tons per Year)	1,040	645	744	848	928	1,033	1,106	1,231	1,107	1,005
Scrap Metal (Tons per Year)	13	1	3	3	6	12	23	12	32	84
1 (F)	10	-	5	5	0		20			5.

Sources: Various City of Hendersonville Departments

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year											
Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Hendersonville												
Public Facilities/Buildings	3	4	5	5	5	5	1	1	2	3		
Public Safety - Police												
Number of Police Stations	1	1	1	1	1	1	1	1	1	1		
Number of Patrol Units	38	38	38	39	39	30	30	30	42	35		
Public Safety - Fire												
Number of Fire Stations	1	1	1	2	2	2	2	2	2	2		
Number of Fire Trucks	6	6	6	6	6	5	6	5	5	5		
Public Service												
Streets (in Miles)	65.36	65.67	68.20	68.20	68.20	68.20	65.75	65.75	65.75	65.75		
Street Lights (Leased)	1,428	1,428	1,479	1,501	1,515	1,515	1,520	1,520	1,532	1,532		
Street Lights (Owned)	189	189	189	189	189	189	256	215	286	286		
Parks and Recreation												
Parks Acreage	158	158	158	158	158	158	158	158	158	158		
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8		
Parks	12	12	12	12	12	12	12	12	12	12		
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27		
Swimming Pools	1	1	1	1	1	1	1	1	1	1		
Community Development												
Community Centers	3	3	3	3	3	3	3	3	3	3		
Water												
Water Mains (Miles)	640	620	634	637	640	653	623	624	633	634		
Fire Hydrants	2,539	2,552	2,585	2,598	2,626	2,648	2,662	2,692	2,694	2,751		
Sewer												
Sanitary Sewers (Miles)	175	176	177	178	178	180	160	182	182	183		
Storm Sewers (Miles)	30	30	30	30	30	30	30	30	30	30		
Solid Waste												
Collection/Refuse Trucks	3	3	3	4	4	4	4	4	4	6		

Sources: Various City of Hendersonville departments.







SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

TS 10.766				
10.766				
10.766				
10.766			<u>^</u>	
		\$ 1,419,766	\$	-
		1,419,700		
97.083 97.083		125,334 131,418		-
97.083		256,752		-
97.036		10,979		3,660
		267,731		3,660
16.922 16.607		7,500 4,201		-
16.738	2018-DJ-BX-0041	24,296		-
		35,997		
66.460	C9-99465718-0	36,789		-
66.458	CS370444-10	1,399,033		
		1,435,822		-
20.205	BRSTP-1932(9)	3,403		-
		3,403		-
		\$ 3,162,719	\$	3,660
	DOT-4	\$-	\$ 3	30,200
				80,200
		_		_
	H-SRP-D-17-0132		5	33,778
		<u>\$ -</u>	\$ 9	13,978
E				
		\$ 3,162,719	\$ 9	17,638
	20.205	DOT-4 H-SRP-D-17-0132	20.205 BRSTP-1932(9) 3,403 3,403 <u>3,403</u> <u>5,3,162,719</u> DOT-4 <u>\$ -</u> - H-SRP-D-17-0132 <u>-</u> <u>\$ -</u> <u>\$ -</u> <u>S -</u> CE	20.205 BRSTP-1932(9) 3,403 3,403 <u>\$ 3,162,719 \$</u> DOT-4 <u>\$ - \$ 38</u> <u>- 38</u> H-SRP-D-17-0132 <u>- 53</u> <u>\$ - \$ 91</u>

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

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

A. BASIS OF PRESENTATION

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

B. BASIS OF ACCOUNTING

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

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

D. MATCHING COSTS

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

E. OUTSTANDING LOAN BALANCES

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

F. DONATED PERSONAL PROTECTIVE EQUIPMENT ("PPE")

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

G. INDIRECT COST RATE

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



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 18, 2021. Our report includes a reference to another auditor who audited the financial statements of the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM -

MAULDIN, SC 864.232.5204 CHARLESTON, SC 843.735.5805 S P A R T A N B U R G, S C 864.232.5204 A S H E VILLE, N C 828.771.0847 Open by appointment only

Compliance and Other Matters

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

Purpose of this Report

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

Greene Finney, LLP

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM -

 MAULDIN, SC
 CHARLESTON, SC
 SPARTANBURG, SC

 864.232.5204
 843.735.5805
 864.232.5204

ASHEVILLE, NC 828.771.0847 Open by appointment only

Report on Internal Control Over Compliance

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

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

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

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

Greene Finney, LLP

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM -

 MAULDIN, SC
 CHARLESTON, SC
 SPARTANBURG, SC

 864.232.5204
 843.735.5805
 864.232.5204

ASHEVILLE, NC 828.771.0847 Open by appointment only

Report on Internal Control Over Compliance

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

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

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

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

Greene Finney, LLP

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

-

_

Type of auditor's report iss	ued: Unmodified			
Internal control over finan	cial reporting:			
Material weakness(es) id	lentified?	Yes	Х	No
Significant deficiencies	identified that are not			-
considered to be mater	ial weaknesses?	Yes	Х	None Reported
Noncompliance material to	o financial statements noted?	Yes	Х	No
Federal Awards				
Internal control over major	r federal programs:			
Material weakness(es) ic	lentified?	Yes	Х	No
Significant deficiencies	identified that are not			-
considered to be mater	ial weaknesses?	Yes	Х	None Reported
Type of auditor's report iss	ued on compliance for major federal programs: Unmodified			
Any audit findings disclos	ed that are required to be reported			
	R 200.516 (Uniform Guidance)?	Yes	Х	No
Identification of major feder	al programs:			
CFDA Number(s)	Name of Federal Program or Cluster			
10.766 66.458	Community Facilities Loans and Grants - Loan Capitalization Grants for State Revolving Funds - Loan			
Dollar threshold used to dist	inguish between type A and type B programs:	\$750,000)	-
Auditee qualified as low-risk	auditee?	Yes	Х	No
State Awards				
Internal control over major	r State programs:			
Material weakness(es) id		Yes	Х	No
Significant deficiencies i considered to be mater		Yes	Х	None Reported
Type of auditor's report iss	- sued on compliance for major State programs: Unmodified			_ `
4 11. A 11 11 1	14. · · · · · · · ·			
Any audit findings disclose with the State Single Au	ed that are required to be reported in accordance dit Implementation Act?	Yes	Х	No
Identification of major State	programs:			
State Identifying Number	Names of State Program or Cluster			
H-SRP-D-17-0132	Drinking Water State Revolving Fund - Loan			

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Findings

No matters to report.

Section III - Federal Award Findings and Questioned Costs

No matters to report.

Section III - State Award Findings and Questioned Costs

No matters to report.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

2019-001: CONSTRUCTION PAYABLE ACCRUAL

Condition, Criteria,	
Context, Cause and	
Effect:	During the 2019 audit, it was noted that the City had inadvertently failed to accrue a large construction payable at year end (even though it had been properly identified for accrual). This was adjusted by the City when brought to their attention during the 2019 audit. The City should have appropriate internal controls in place to ensure that all necessary accruals have been properly recorded in a timely manner. The City had properly identified the construction transaction that needed to be recorded, but inadvertently failed to accrue it.
Status:	The City has taken the necessary steps to address this issue.

2019-002: NONCOMPLIANCE WITH LAWS AND REGULATIONS - COLLATERALIZATION OF DEPOSITS

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

Section III - Federal Award Findings and Questioned Costs

Not applicable.

Section IV – State Award Findings and Questioned Costs

Not applicable.