

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF HENDERSON
HENDERSON, NORTH CAROLINA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the City of Henderson Finance Department

Finance Director
Katherine Brafford

CITY OF HENDERSON, NORTH CAROLINA
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Introductory Section



January 10, 2013

To the Honorable Mayor James D. O'Geary and Members of the City Council
and Citizens of the City of Henderson
Henderson, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) to the City of Henderson, for the fiscal year ended June 30, 2012. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of William L. Stark and Company and its unqualified opinion is included in the general financial statements. However, this report is presented by the City, who is responsible for the accuracy of the data as well as the completeness and fairness of its presentation, including all disclosures. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four (4) principal sections: Introductory, Financial, Statistical and Compliance Sections. The Introductory Section contains this letter of transmittal and provides a brief overview of the objectives of the report, the operations and organization of the City, a list of principal officials and a copy of the Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section includes the independent auditor's report, combined financial statements, notes to the financial statements and more detailed individual fund statements and schedules. Also included directly behind the auditor's report is a Management's Discussion and Analysis (MD&A) letter which gives a quick overview of the City's overall financial condition. Unlike the transmittal letter, the MD&A is audited. Readers should refer to the MD&A as an additional tool to better analyze the financial condition of the City.

The auditor's report, combined statements, and the notes are often issued separately for securities offerings or widespread distribution and are frequently referred to as "liftable" financial statements. The Statistical Section includes selected financial and economic data designed to provide a more complete understanding of the City. Many tables in this section present financial data for the past ten (10) years.

Finally, the Compliance Section includes the independent certified public accountants' report on internal control and compliance with laws and regulations. All schedules and exhibits necessary to satisfy the requirements of the Single Audit regulations are also included in this section.

This report includes all the funds of the City and incorporates all activities that are controlled by, or dependent upon, the City’s executive or legislative branches. Control by, or dependence on the City, was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

Summary Profile of the City of Henderson

Henderson was founded by the William Reavis family in 1811 when a store and residence was constructed. Some 29 years later, in 1840, the Raleigh and Gaston Railroad Company established a depot here and the Henderson community was incorporated as a City by an act of the General Assembly in 1841.

Henderson encompasses approximately 10 square miles and is the county seat of Vance County. Located just 20 miles south of the Virginia/North Carolina line in the North Central Piedmont Region of the State, the city is also located on the Southeastern tip of Kerr Lake. The towns of Kittrell and Middleburg are the only other incorporated municipalities within the County. Henderson is the largest city within the five county region consisting of Franklin, Granville, Person, Vance and Warren counties. As a prominent *gateway* into North Carolina from Virginia, Henderson is in proximity to the following major metropolitan areas:

Raleigh	50 minutes, 45 miles
Durham	45 minutes, 40 miles
Research Triangle Park (RTP)	45 minutes, 45 miles
Chapel Hill	55 minutes, 50 miles
Greensboro	80 minutes, 70 miles

The North Central Piedmont climate is relatively mild with moderate winters and warm summers. The area’s annual mean temperature is 59.7 degrees F with temperatures averaging 42 degrees F in January and 78.3 F in June. The average annual precipitation is 47.67 inches, including an average snowfall of 2.5 inches. Henderson is located within the Roanoke River and Tar River basins and is at an elevation of approximately 509 feet above sea level.

The city’s population increased steadily through the early 2000’s; however, the 2010 Federal Decennial Census revealed a loss of population. This is attributed to the impacts of the Great Recession and loss of the traditional economic base, especially textiles, tobacco and Roses, Inc.

<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
13,896	13,522	15,761	16,095	15,368

Form of Government

The City has utilized the Council-Manager form of government since 1966. The Mayor and eight (8) members of City Council are elected on a non-partisan basis for four-year staggered terms. Henderson is divided into four (4) wards and two Council Members are elected from each

ward as follows: one (1) at-large and one (1) at-ward. The City will complete its conversion to four-year staggered terms concurrent with the Council elections scheduled for October 2013.

The Mayor and Council Members, or governing body, are responsible for the legislative affairs of the City by way of establishing policies by enacting Ordinances and Resolutions, as well as the *Annual Operating and Capital Budget* and the *Strategic Plan*. The City Council meets on the second and fourth Mondays of each month in order to conduct the business of the City.

The City Manager is appointed by the City Council and serves at its pleasure. The position is appointed on a merit-basis and serves as the City's chief executive officer. The City Manager is responsible for providing recommendations to the Mayor and City Council on policy matters, implementing such policies and laws as adopted by them, and providing leadership and management oversight for the day-to-day operations of the various departments, agencies and services provided to citizens and customers.

The City Council also appoints the City Attorney and City Clerk. The City Attorney serves at the pleasure of the Council and provides legal advice and guidance to the Council, prepares ordinances and defends the City as appropriate should litigation arise. The City Clerk serves as the official *Keeper of the Records* of the City, transcribes the minutes of Council meetings and attests to the Mayor's signature on all official documents.

The City is empowered to levy a property tax on real and certain personal properties within its boundaries. It is also empowered to levy various fees and rates for services to its citizens and customers. North Carolina General Statutes enable the City to extend its corporate limits via voluntary and/or involuntary annexation, which occurs periodically when deemed appropriate by the governing body.

The *Annual Strategic Plan*, reviewed and updated during an annual strategic planning session in January of each year and adopted in February of each year, provides for overall guidance in developing the *Annual Operating and Capital Budget*. The City Council develops key strategic objectives and action plans that identify its top priorities. City Administration develops the recommended budget with these key strategic objectives in mind.

The *Annual Operating and Capital Budget* serves as the foundation of the City's financial planning and control. The City Council is required to hold a public hearing on the City Manager's recommended budget and to adopt a final budget no later than 30 June of each year, the end of the City's fiscal year. The final, or appropriated, budget is prepared by fund function and department: for example, General Fund—Police Department. The City Manager is authorized to approve certain transfers within departments and within funds; however, transfers from contingency and reserve accounts and between funds, and amendments increasing and/or decreasing initial fund appropriations requires the approval of the governing body.

Henderson is a *full service* city providing police, fire, water treatment and distribution, sanitary sewer collection and treatment, street maintenance, engineering, household sanitation services, including recycling, garage and fleet services, planning and community development,

code compliance and general administration, finance and human resources. Additionally, Henderson and Vance County have formed collaborative partnerships to provide several jointly funded services for all citizens of Henderson and Vance County. The joint services include: economic development, E-911 emergency services, parks and recreation, tax billing and collection, election board services and public library. Henderson also participates in a collaborative partnership with the City of Oxford and County of Warren in the Kerr Lake Regional Water System. Henderson is the majority owner (60%) and the City of Oxford and County of Warren each own a 20% share in the facility. Henderson is responsible for operating the facility. The Regional Water System partners, through their distribution systems and water sales contracts to other entities provide potable water service to the following jurisdictions, in whole or part: Henderson, Kittrell, Vance County, Franklin County, Oxford, Stem, Stovall, Granville County, Warren County, Warrenton, Norlina and Northampton County.

Economic Conditions and Outlook

The City is home to nearly 1,000 businesses, including approximately 12 manufacturers, 240 retailers and 250 service businesses. Six major banks and several credit unions are also located within the area. Major manufacturing products include home furnishings, glass, pet food, sleeping bags and tents, and solar panels. Four major distribution facilities exist in the area, along with several smaller ones. Henderson's location is in the geographic center of Vance County and bisected by I-85 and U.S. Hwy 1, making it an excellent location for manufacturing and distribution.

Henderson and Vance County have been hit hard by the double impacts of the Great Recession and the loss of traditional agricultural and textile jobs over the past decade. In response to this reality, the City Council and Vance County Commissioners established a joint economic development program in July 2009.

Per capita income (PCI) data is not available for the city; however, data is available for the county which includes the city. In 2000, PCI for Henderson/Vance was \$21,672 when compared to the state's \$27,914 and the US \$30,318. In 2009, the most recent year for which data is available, Henderson/Vance is \$30,236, the state is \$34,879 and the US is \$39,635.

The Henderson—Vance County Economic Development Commission is charged with the responsibility of implementing the region's economic development strategy with various partners including the NC Department of Commerce, various public and private utility providers, other governmental entities, etc. Of significance is the recent development of the Triangle North Business Park. This is a multi-jurisdiction economic development effort that provides for the sharing of ad valorem tax revenues between the Triangle North partners of Vance, Warren, Granville and Franklin counties. This innovative partnership, enabled by State legislation, has the effect of removing political boundaries and enables a true, effective regional economic development partnership.

The proximity of this region to the Research Triangle Park situated between Raleigh and Durham on I-40, abundant water resources and I-85 access allows for the Triangle North partnership to engage in economic development recruiting in a significant way. The recent

announcement of *Semprius*, a high-tech solar panel manufacturer that will locate in the Vance Triangle North Business Park, affirms the visionary leadership to establish the Triangle North partnership parks and will provide 250 high paying jobs to the area's residents. *Semprius* was recognized in 2012 as having the world's most efficient solar panel. As of this writing, the company is moving into the production phase of solar panels.

Tourism plays a major role in the region's economy. The Vance County Tourism Office manages various events including *Shag, Shine and Dine*, a major classic cars event in October and fishing tournaments at Kerr Lake.

Downtown redevelopment is well underway with the conversion of vacant upper floors in buildings facing Garnett Street, downtown's *main street*. Twenty-one apartments have been constructed, thanks to the receipt of \$2M in HUD Hope VI Main Street grant funding and partnerships with various downtown property owners. Additionally, Henderson is actively pursuing a rail passenger station. The Southeast High Speed Rail line will be built along the rail right-of-way bisecting Henderson. Planning for this major transportation initiative anticipates an initial two-daily stops in downtown. The return of rail passenger service with high speed rail is considered to be a long-term economic development tool with impacts similar to those realized subsequent to the construction of I-85 along the city's northern and western boundaries.

Revenues for the fiscal year ending 30 June 2012 reveal stronger revenue collections in sales and property taxes than in the previous three fiscal years. Sales tax revenues are now exceeding budget estimates and are near 2008 levels. Unemployment, while high, is lower than it has been for the past year. The recent announcements of the *Semprius*' location in Vance Triangle North Business Park, Sheetz and Big Lots as well as expansions at Vescom, ACS and Pacific Coast Feathers have all served to provide for needed expansion of the economic base, creation of 520 new value-added jobs and have improved the outlook in the community for continued economic expansion in 2013. Finally, Maria Parham Medical Center, located in the city, has completed its merger with Duke-Lifepoint. This merger assures the continued viability of the local medical center and will provide expanded medical services and access to Duke Medical Center's services.

Long-Term Financial Planning

The City seeks to consistently maintain a strong financial position as evidenced by its bond rating of A2 (Moody's Investor Service). The governing body has approved conservative fiscal policies that provide for growth in the undesignated general fund balance and has been aggressive in its efforts with economic development efforts. It is felt these combined strategies will not only maintain the current bond rating, but will also help it improve over the coming years.

The City has recently approved a major 10-year Capital Improvements Plan for its utilities. Of major note will be expansion of the Regional Water Plant from 10mgd to 20mgd. Inter-basin permit review is underway; however, the new plant's expansion has been designed and approved. Construction is expected to commence in 2014 or early 2015. Additionally, the

antiquated water reclamation facility will undergo a \$16.5M renovation. Design engineering is underway and construction contracts are expected to be awarded in late 2012.

The City has been quite fortunate in receiving approximately \$22.035M in low interest and principal forgiveness loans from the State for both water and wastewater projects, including renovations to the Wastewater Treatment Facility, 2" water line replacement, Regional Water Plant high speed pump replacement, water meter replacement and Sandy Creek pump station project. These grants were realized subsequent to the development and approval of the previously mentioned multi-year utilities capital improvements plan.

The governing body's goal is to restore its undesignated general fund balance to 30%. Significant progress has been made since 2005 when the fund balance dipped to dangerously low, unacceptable levels. The City Council does not appropriate undesignated fund balance for recurring expenses.

Major Initiatives

The City's fiscal year ending June 30, 2012 closed with numerous accomplishments and a variety of projects and programs well underway. Each of these initiatives, in one form or another, is designed to improve and expand the City's capabilities for serving its residents and customers.

- i Growth in the General Fund's unassigned fund balance of \$348,201
- i Completion of major update to 10-year utilities capital improvements plan
- i No increase in the property tax rate
- i Receipt of State loan/grants in the amount of \$22.035M for various utility projects

For the Future

The FY12-13 Annual Operating and Capital Budget was approved by City Council on 14 June 2012. The FY13 Budget, inclusive of all funds, is \$35,646,500. The new budget did not increase the property tax, but did provide for moderate increases in the water, sewer and sanitation rates. The FY12-13 operating budget is constrained due to the effects of the on-going Recession; however, it funds the continuation of current operational needs associated with the City's needs.

Awards and Acknowledgements

The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. GFOA recognizes governmental units that issue their comprehensive annual financial reports (CAFR) substantially in conformity with GAAP and all legal requirements. The City has received this award for its CAFR for the 2011 Report.

A Certificate of Achievement is valid for a period of only one year. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine eligibility for another certificate.

The preparation of this report has been accomplished by the City's Finance Department staff and the independent auditors of William L. Stark and Company. The contributions of all are invaluable and greatly appreciated.

It is also appropriate to thank the Mayor and Members of the City Council for improving the financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,

A. Ray Griffin, Jr.
City Manager

Katherine C. Brafford
Finance Director

ORGANIZATION CHART

Mayor and City Council
 Mayor James D. O'Geary
 James C. Kearney, Sr. George M. Daye
 Sara M. Coffey Brenda G. Peace-Jenkins
 Garry Daeke Vernon V. Brown
 Michael C. Inscoe D. Michael Rainey

City Attorney
 John H. Zollicoffer, Jr.

City Clerk
 Esther J. McCrackin

City Manager
 A. Ray Griffin, Jr.

Assistant City Manager
 Frank Frazier

Executive Assistant
 Patricia Pearson

Finance
 Kathy Brafford

Budget
 Rev Collection
 Customer Service
 Cash Management
 Payroll
 Accounting
 Business License

Human Resources
 Cathy Brown

Recruitment
 Orientation
 Evaluation
 Employee Relations
 Benefits Adm.
 Risk Management

Police
 Keith Sidwell

Administration
 Patrol
 Drug Enforce.
 Community Watch
 Partnerships

Code Compliance
 Corey Williams

Code Enforcement
 Minimum Housing
 Abandoned Structures

Planning & C.D.
 Erris Dunston

Long/Short
 Range Planning
 CDBG Housing
 Main Street

Water Reclamation
 Tom Spain

Treatment
 Testing
 Monitoring
 I&I

Engineering
 Pete Sokalski

Surveying
 Mapping
 Construction
 Mgmt/Eng Services
 Public Buildings

Special Projects
 Vacant

Recreation & Parks
 Alan Gill

Adult/Youth Activities
 Sr. Citizens Programs
 Cultural Arts
 Grounds Maintenance
 Youth Services
 Aquatics
 Parks

Fire
 Danny Wilkerson

Suppression
 Rescue
 Training
 Fire Prevention
 Inspection

Water Distribution & Sewer Collection
 Andy Perkinson

Distribution
 Collection
 Training
 I&I
 Meter Reading

Regional Water
 Christy Lipscomb

Treatment
 Testing
 Monitoring

Public Services
(vacant)

Fleet Maintenance
 Street Sanitation
 Cemetery
 Sanitation & Recycling

Mayor and Members of City Council

James D. O'Geary
Mayor

Members of City Council

James C. Kearney, Sr.
Sara M. Coffey
Michael C. Inscoe
D. Michael Rainey
Mayor Pro-Tempore

Vernon V. Brown
George M. Daye
Garry D. Daeke
Brenda G. Peace-Jenkins

City Administration

A. Ray Griffin, Jr.
City Manager

John H. Zollicoffer, Jr.
City Attorney

Katherine C. Brafford
Finance Director

Esther J. McCrackin
City Clerk

Franklin W. Frazier
Assistant City Manager

Financial Section



William L. Stark and Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Henderson City Council
City of Henderson, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Henderson's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013 on our consideration of the City of Henderson's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of the 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 the internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and The Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Henderson, North Carolina's basic financial statements. The introductory section, combining and individual fund statements, the statistical section, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented as for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards have 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 combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are stated in all material respects in relation to the basic financial statements as a whole. The introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

January 10, 2013

**City of Henderson
Management's Discussion and Analysis
June 30, 2012**

As management of the City of Henderson, we offer readers of the City's Financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements which follow this narrative.

Financial Highlights

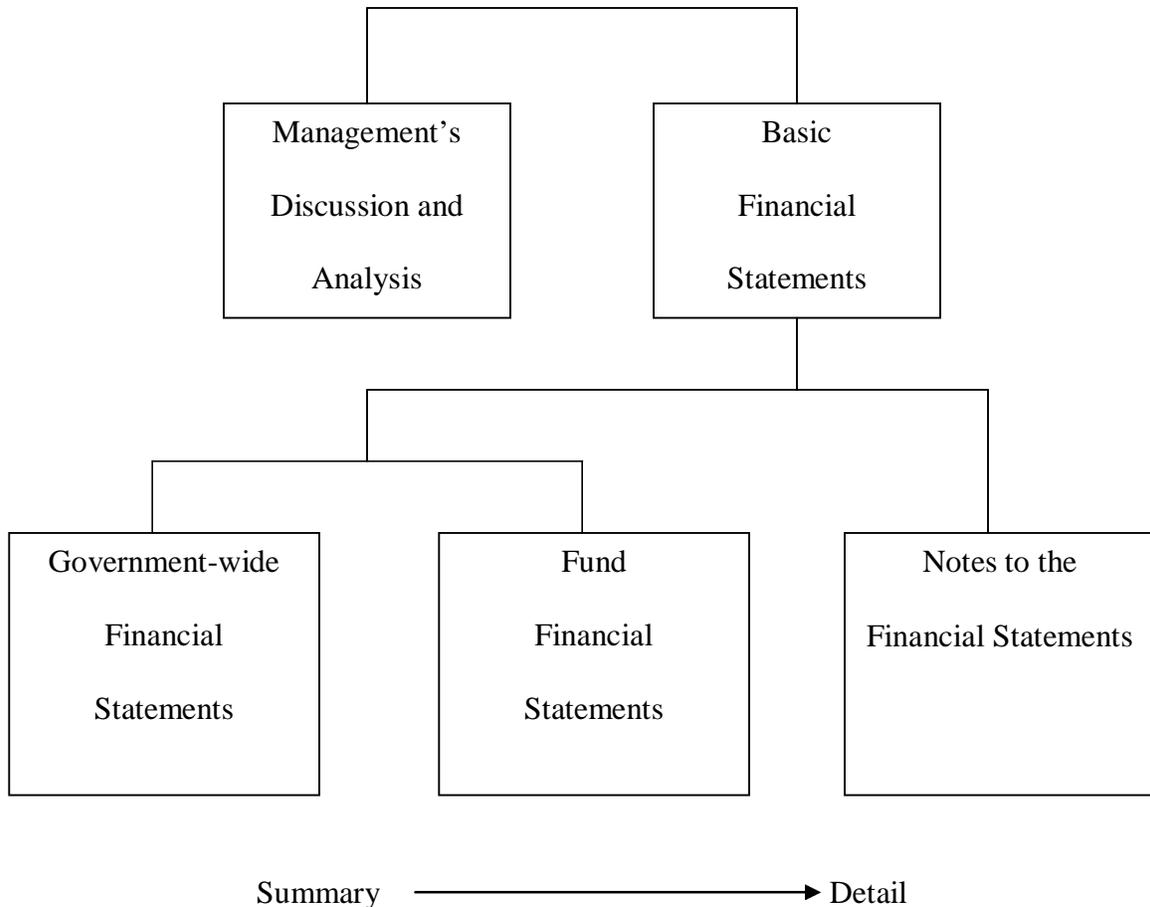
- i The assets of the City of Henderson exceeded its liabilities at the close of the fiscal year by \$82,440,581.
- i The government's total net assets increased by \$9,822,340.
- i As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$5,591,590, with a net change of \$505,970 in fund balance. Approximately 48.24 percent of this total amount, or \$2,697,255, is non spendable or restricted.
- i At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,005,613, or 15.11 percent of total general fund expenditures for the fiscal year.
- i The City of Henderson's total debt decreased by \$5,200,740 (24.5%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Henderson's basic financial statements. The City's basic 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 basic 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 of Henderson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 statements (Exhibits 3 through 10) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the 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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the water services offered by the City of Henderson.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

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 of Henderson, 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 and the City's budget ordinance. All of the funds of the City of Henderson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those 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 funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Henderson 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 Board 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 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 board; 2) the final budget as amended by the board; 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.

Proprietary Funds – The City of Henderson has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Henderson uses an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Henderson has one fiduciary fund, which is a pension trust fund.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Henderson’s progress in funding its obligation to provide pension benefits to its employees.

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.

Government-Wide Financial Analysis

City of Henderson's Net Assets Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 (As Restated)	2012	2011 (As Restated)	2012	2011 (As Restated)
Current and other assets	\$ 6,484,813	\$ 5,899,531	\$ 9,475,353	\$ 7,537,435	\$ 15,960,166	\$ 13,436,966
Capital assets	12,831,394	16,420,414	66,839,060	66,332,146	79,670,454	82,752,560
Restricted assets	414,429	355,429	778,944	2,457,210	1,193,373	2,812,639
Notes Receivable due in more than one year	-	-	7,198,333	-	7,198,333	-
Total Assets	\$ 19,730,636	\$ 22,675,374	\$ 84,291,690	\$ 76,326,791	\$ 104,022,326	\$ 99,002,165
Long-term liabilities outstanding	\$ 6,144,961	\$ 6,600,190	\$ 10,964,916	\$ 15,074,159	\$ 17,109,877	\$ 21,674,349
Other liabilities	1,533,431	1,362,570	2,938,437	3,347,005	4,471,868	4,709,575
Total Liabilities	\$ 7,678,392	\$ 7,962,760	\$ 13,903,353	\$ 18,421,164	\$ 21,581,745	\$ 26,383,924
Net Assets:						
Investment in capital assets, net of related debt	\$ 9,099,920	\$ 11,955,274	\$ 54,571,969	\$ 49,597,981	\$ 63,671,889	\$ 61,553,255
Restricted	3,326,377	2,954,810	-	-	3,326,377	2,954,810
Unrestricted	(374,053)	(197,470)	15,816,368	8,307,646	15,442,315	8,110,176
	\$ 12,052,244	\$ 14,712,614	\$ 70,388,337	\$ 57,905,627	\$ 82,440,581	\$ 72,618,241

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the City of Henderson, assets exceeded liabilities by \$82,440,581 as of June 30, 2012. Net assets are reported in three categories: capital assets, net of related debt; restricted net assets; and unrestricted net assets.

By far the largest portion of the City of Henderson's net assets in the amount of \$63,671,889 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that is still outstanding. The City of Henderson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Henderson's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Henderson's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 (As Restated)	2012	2011 (As Restated)	2012	2011 (As Restated)
Revenues						
Program Revenues:						
Charges for services	\$ 4,011,345	\$ 5,050,163	\$13,957,295	\$13,541,898	\$17,968,640	\$ 18,592,061
Water reservation fee	-	-	9,000,000	-	-	-
Operating grants and contributions	586,526	718,763	-	-	586,526	718,763
Capital grants and contributions	1,385,656	332,582	965,529	1,198,775	2,351,185	1,531,357
General Revenues:						
Property Taxes	5,376,949	5,188,448	-	-	5,376,949	5,188,448
Other taxes, grants and contributions	3,658,223	3,139,189	-	-	3,658,223	3,139,189
Other	155,895	214,948	579,747	357,728	735,642	572,676
Total Revenues	<u>\$15,174,594</u>	<u>\$14,644,093</u>	<u>\$24,502,571</u>	<u>\$15,098,401</u>	<u>\$30,677,165</u>	<u>\$29,742,494</u>
Expenses						
General government	\$ 2,318,395	\$ 2,566,627	\$ -	\$ -	\$ 2,318,395	\$ 2,566,627
Public safety	6,753,177	6,798,592	-	-	6,753,177	6,798,592
Economic and physical dev.	3,556,860	444,922	-	-	3,556,860	444,922
Transportation and utilities	1,402,603	2,034,973	-	-	1,402,603	2,034,973
Environmental protection	969,386	900,033	-	-	969,386	900,033
Cultural & recreation	2,375,739	2,384,515	-	-	2,375,739	2,384,515
Human Services	264,413	302,533	-	-	264,413	302,533
Interest on long-term debt	209,088	242,768	-	-	209,088	242,768
Water	-	-	5,378,050	5,048,324	5,378,050	5,048,324
Sewer	-	-	3,714,698	3,732,705	3,714,698	3,732,705
Regional water system	-	-	2,912,416	2,842,969	2,912,416	2,842,969
Total Expenses	<u>\$17,849,661</u>	<u>\$15,674,963</u>	<u>\$12,005,164</u>	<u>\$11,623,998</u>	<u>\$29,854,825</u>	<u>\$27,298,961</u>
Increase (decrease) in Net Assets before Transfers	\$ (2,675,067)	\$ (1,030,870)	\$12,497,407	\$ 3,474,403	\$ 9,822,340	\$ 2,443,533
Transfers	14,697	(89,222)	(14,697)	89,222	-	-
Increase (decrease) in Net Assets	(2,660,370)	(1,120,092)	12,482,710	3,563,625	9,822,340	2,443,533
Net Assets, July 1	14,712,614	18,437,588	57,905,627	54,937,035	72,618,241	73,374,623
Prior period adjustment	-	(2,604,882)	-	(595,033)	-	(3,199,915)
Net Assets, July 1 (Restated)	<u>14,712,614</u>	<u>15,832,706</u>	<u>57,905,627</u>	<u>54,342,002</u>	<u>72,618,241</u>	<u>70,174,708</u>

Governmental activities: Governmental activities decreased the City's net assets by \$(2,660,370). Key elements of this decrease were as follows:

- i \$(4,014,606) for the close out of various non-capitalized capital projects.

Business-type activities: Business-type activities increased the City of Henderson's net assets by \$12,482,710. Key elements of this increase were as follows:

- i A contract for the sale of water to Granville County which resulted in a \$9 million water reservation fee.
- i Water rate increases for the surrounding counties and cost-saving measures taken to help reduce operating costs in the Water Fund, Sewer Fund and the Regional Water System Fund.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Henderson'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 of Henderson's financing requirements. Specifically, unreserved 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 of Henderson. At the end of the current fiscal year, fund balance available in the General Fund was \$3,383,468 while total fund balance in the General Fund reached \$4,776,193. Fund balance available represents 25.49 percent of the total General Fund's expenditures, while total fund balance represents 35.98 percent of that same amount.

At June 30, 2012, the governmental funds of the City of Henderson reported a combined fund balance of \$5,591,590, a 10 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General Fund and the Non-major Funds.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, 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.

Proprietary Fund. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the business-type activities at the end of the fiscal year amounted to \$15,816,368. The

total increase in net assets for the business-type activities was \$12,482,710. The key elements for this increase were rate increases and the previously mentioned contract for the sale of water to Granville County which resulted in a \$9 million water reservation fee.

Capital Asset and Debt Administration

Capital assets. The City of Henderson’s investment in capital assets for its governmental activities and business type activities as of June 30, 2012, totaled \$79,670,454 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

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

- i Purchase of land for governmental-type activities: \$64,223.
- i Increase in construction in progress for governmental-type activities: \$1,327,373.
- i Increase in buildings for governmental-type activities: \$44,845.
- i Increase in other improvements for governmental-type activities: \$577,549.
- i Equipment and vehicles for governmental-type activities: \$121,038.
- i Furniture, equipment and vehicles for business-type activities: \$32,990.
- i Increase in construction in progress for business-type activities: \$2,028,928.

**City of Henderson's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011 (As Restated)	2012	2011 (As Restated)	2012	2011 (As Restated)
Land	\$ 657,746	\$ 1,593,698	\$ 2,077,368	\$ 2,077,368	\$ 2,735,114	\$ 3,671,066
Buildings	9,525,801	9,731,213	16,728,757	17,314,580	26,254,558	27,045,793
Distribution systems	-	-	41,476,571	42,268,221	41,476,571	42,268,221
Construction in progress	1,163,452	3,515,783	6,131,504	4,146,068	7,294,956	7,661,851
Other improvements	628,234	346,163	-	-	628,234	346,163
Equipment and vehicles	856,161	1,233,557	424,860	525,909	1,281,021	1,759,466
Total	\$ 12,831,394	\$ 16,420,414	\$ 66,839,060	\$ 66,332,146	\$ 79,670,454	\$ 82,752,560

Additional information on the City’s capital assets can be found in the notes to the financial statements beginning on page 38 of this report.

Debt. As of June 30, 2012, the City of Henderson had total debt outstanding of \$15,998,565. Of this, \$8,704,565 is debt backed by the full faith and credit of the City.

The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**City of Henderson's Outstanding Debt
General Obligation and Revenue Bonds
Figure 5**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Capital leases	\$ 158,410	\$ 245,060	\$ 120,346	\$ 215,829	\$ 278,756	\$ 460,889
Installment loans	3,573,064	4,220,080	4,852,745	6,513,336	8,425,809	10,733,416
Revenue bonds	-	-	7,294,000	10,005,000	7,294,000	10,005,000
	<u>\$ 3,731,474</u>	<u>\$ 4,465,140</u>	<u>\$12,267,091</u>	<u>\$16,734,165</u>	<u>\$15,998,565</u>	<u>\$21,199,305</u>

The City of Henderson's total debt decreased by \$5,200,740 (24.5%) during the past fiscal year, due to both the normal amortization of debt and the refunding of revenue bonds which resulted in an approximate \$2 million of debt reduction and savings.

The last time the City was evaluated on the Bond market, it received an A2 bond rating from Moody's Investor Service, an A rating from Standard and Poor's Corporation and an AA- from Fitch Ratings. These ratings are a clear indication of the sound financial condition of the City of Henderson. The City of Henderson is one of the few cities in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statues limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Henderson is \$68,773,404.

Additional information regarding the City of Henderson's long-term debt can be found in the notes to the financial statements. (See Long-Term Obligations, pages 48-54) (Note III.B.5).

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- i The City of Henderson's unemployment rate of approximately 14.10%.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: Property taxes are expected to remain constant. Also, sales taxes are expected to decrease in the upcoming year, but utility franchise taxes are expected to be slightly increased.

Budgeted expenditures in the General Fund are expected to remain constant at a total of \$14,884,000.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to City Manager A. Ray Griffin, Jr. or Finance Director Katherine C. Brafford, City of Henderson, P.O. Box 1434, Henderson, NC 27536.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,187,980	\$ 7,228,412	\$ 11,416,392
Taxes receivables (net)	543,447	-	543,447
Accrued interest receivable on taxes	114,699	-	114,699
Accounts receivable (net)	977,947	1,412,719	2,390,666
Due from other governments	604,237	-	604,237
Inventories	-	40,197	40,197
Internal balances	56,503	(56,503)	-
Current portion of notes receivable	-	850,528	850,528
Restricted cash and cash equivalents	414,429	778,944	1,193,373
Total current assets	<u>6,899,242</u>	<u>10,254,297</u>	<u>17,153,539</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,821,198	8,208,872	10,030,070
Other capital assets, net of depreciation	11,010,196	58,630,188	69,640,384
Total capital assets	<u>12,831,394</u>	<u>66,839,060</u>	<u>79,670,454</u>
Notes receivable:			
Due in more than one year	-	7,198,333	7,198,333
Total assets	<u>\$ 19,730,636</u>	<u>\$ 84,291,690</u>	<u>\$ 104,022,326</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 630,083	\$ 326,688	\$ 956,771
Accrued interest payable	14,193	73,144	87,337
Customer deposits	-	31,243	31,243
Security deposits	-	109,873	109,873
Unearned revenue	19,423	-	19,423
Current portion of long-term liabilities	869,732	2,397,489	3,267,221
Total current liabilities	1,533,431	2,938,437	4,471,868
Long-term liabilities:			
Due in more than one year	6,144,961	10,964,916	17,109,877
Total liabilities	<u>7,678,392</u>	<u>13,903,353</u>	<u>21,581,745</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,099,920	54,571,969	63,671,889
Restricted for:			
Capital Projects	369,027	-	369,027
Stabilization by State Statute	1,392,725	-	1,392,725
Elmwood Cemetery Fund	430,965	-	430,965
Streets - Powell Bill	349,608	-	349,608
Public Safety	768,647	-	768,647
Economic Development	15,405	-	15,405
Unrestricted	(374,053)	15,816,368	15,442,315
Total net assets	<u>\$ 12,052,244</u>	<u>\$ 70,388,337</u>	<u>\$ 82,440,581</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 2,318,395	\$ -	\$ -	\$ -	\$ (2,318,395)	\$ -	\$ (2,318,395)
Public safety	6,753,177	112,740	123,480	7,470	(6,509,487)	-	(6,509,487)
Economic and physical development	3,556,860	16,115	-	1,269,118	(2,271,627)	-	(2,271,627)
Transportation and utilities	1,402,603	-	443,411	-	(959,192)	-	(959,192)
Environmental protection	969,386	2,972,890	15,005	-	2,018,509	-	2,018,509
Cultural and recreation	2,375,739	909,600	4,630	109,068	(1,352,441)	-	(1,352,441)
Code compliance	127,020	-	-	-	(127,020)	-	(127,020)
Planning and community development	137,393	-	-	-	(137,393)	-	(137,393)
Interest on long-term debt	209,088	-	-	-	(209,088)	-	(209,088)
Total Governmental Activities	17,849,661	4,011,345	586,526	1,385,656	(11,866,134)	-	(11,866,134)
Business-type Activities:							
Water	5,378,050	14,487,185	-	53,424	-	9,162,559	9,162,559
Sewer	3,714,698	4,230,006	-	912,105	-	1,427,413	1,427,413
Regional Water System	2,912,416	4,240,104	-	-	-	1,327,688	1,327,688
Total Business-type Activities	12,005,164	22,957,295	-	965,529	-	11,917,660	11,917,660
Total Primary Government	\$ 29,854,825	\$ 26,968,640	\$ 586,526	\$ 2,351,185	(11,866,134)	11,917,660	51,526
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					5,376,949	-	5,376,949
Other taxes					404,224	-	404,224
Grants and contributions not restricted to specific programs					3,253,999	-	3,253,999
Unrestricted investment earnings					5,974	52,430	58,404
Miscellaneous					149,921	527,317	677,238
Total general revenues not including transfers					9,191,067	579,747	9,770,814
Transfers					14,697	(14,697)	-
Total general revenues and transfers					9,205,764	565,050	9,770,814
Change in net assets					(2,660,370)	12,482,710	9,822,340
Net assets, beginning					17,317,496	58,500,660	75,818,156
Prior period adjustment (See Note III. E.)					(2,604,882)	(595,033)	(3,199,915)
Net assets, beginning (Restated)					14,712,614	57,905,627	72,618,241
Net assets, ending					\$ 12,052,244	\$ 70,388,337	\$ 82,440,581

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,601,914	\$ 586,066	\$ 4,187,980
Restricted cash and cash equivalents	349,608	64,821	414,429
Property tax receivable, net	543,447	-	543,447
Accounts receivable, net	382,440	595,507	977,947
Due from other governments	604,237	-	604,237
Due from other funds	406,048	-	406,048
Total assets	<u>\$ 5,887,694</u>	<u>\$ 1,246,394</u>	<u>\$ 7,134,088</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 525,382	\$ 104,701	\$ 630,083
Due to other funds	23,249	326,296	349,545
Deferred revenue	543,447	-	543,447
Unearned revenue	19,423	-	19,423
Total liabilities	<u>1,111,501</u>	<u>430,997</u>	<u>1,542,498</u>
Fund balances:			
Non Spendable			
Perpetual maintenance	-	430,965	430,965
Restricted			
Stabilization by State Statute	1,392,725	-	1,392,725
Public Safety	768,647	-	768,647
Streets-Powell Bill	349,608	-	349,608
BJA 2011 Project	-	1,380	1,380
Cary Chapel Crossing Project	-	15,405	15,405
Capital Reserve - General	-	56,421	56,421
Capital Reserve - Econ. Dev.	-	8,400	8,400
Assigned			
Subsequent year's expenditures	259,600	-	259,600
Capital Projects Funds	-	302,826	302,826
Unassigned	<u>2,005,613</u>	<u>-</u>	<u>2,005,613</u>
Total fund balances	<u>4,776,193</u>	<u>815,397</u>	<u>5,591,590</u>
Total liabilities and fund balances	<u>\$ 5,887,694</u>	<u>\$ 1,246,394</u>	<u>\$ 7,134,088</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2012

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total equity and other credits (Exhibit 4)	\$ 5,591,590
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,831,394
Other long-term assets (accrued interest receivable from taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.	114,699
Liabilities for earned but deferred revenues are reported in the fund statements.	543,447
Some liabilities, including bonds payable, revolving loan, installment purchases, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds (Note 5).	<u>(7,028,886)</u>
Net assets of governmental activities	<u>\$ 12,052,244</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 5,462,314	\$ -	\$ 5,462,314
Other taxes and licenses	404,224	-	404,224
Unrestricted intergovernmental	3,253,999	-	3,253,999
Restricted intergovernmental	456,621	1,401,863	1,858,484
Permits and fees	112,740	-	112,740
Sales and services	3,898,605	-	3,898,605
Investment earnings	5,642	332	5,974
Miscellaneous	152,901	150	153,051
Total revenues	<u>13,747,046</u>	<u>1,402,345</u>	<u>15,149,391</u>
EXPENDITURES			
Current:			
General government	1,433,751	-	1,433,751
Public safety	5,662,053	54,517	5,716,570
Planning and community development	137,393	-	137,393
Cemetery	68,995	-	68,995
Code compliance	127,020	-	127,020
Donations to local agencies	732,757	-	732,757
Economic and physical development	28,076	1,330,145	1,358,221
Transportation and utilities	1,359,123	-	1,359,123
Environmental protection	837,848	-	837,848
Cultural and recreational	1,479,137	-	1,479,137
Non-departmental	463,478	-	463,478
Debt service:			
Principal	733,666	-	733,666
Interest and other charges	211,659	-	211,659
Total expenditures	<u>13,274,956</u>	<u>1,384,662</u>	<u>14,659,618</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>472,090</u>	<u>17,683</u>	<u>489,773</u>
OTHER FINANCING SOURCES (USES)			
Capital lease obligation issued	-	-	-
Transfers from other funds	169,126	121,015	290,141
Transfers to other funds	(247,502)	(26,442)	(273,944)
Total other financing sources (uses)	<u>(78,376)</u>	<u>94,573</u>	<u>16,197</u>
NET CHANGE IN FUND BALANCE	<u>393,714</u>	<u>112,256</u>	<u>505,970</u>
Fund balances, beginning	4,613,658	703,141	5,316,799
Prior Period Adjustment (See Note III. E.)	(231,179)	-	(231,179)
Fund balances, beginning (restated)	<u>4,382,479</u>	<u>703,141</u>	<u>5,085,620</u>
Fund balances, ending	<u>\$ 4,776,193</u>	<u>\$ 815,397</u>	<u>\$ 5,591,590</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds	\$	505,970
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		109,068
Change in accrued interest receivable on taxes		12,049
Change in deferred revenue for tax revenues		(97,414)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital outlay expenditures which were capitalized	\$ 2,025,960	
Depreciation expense for governmental assets	(1,044,169)	
Close out of capital projects (Non-capitalized)	<u>(4,679,879)</u>	
		(3,698,088)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	\$ -	
Principal payments on long-term debt	733,666	
Change in accrued interest payable	<u>2,571</u>	
		736,237
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	\$ 4,488	
Net OPEB obligation	(213,265)	
Net pension obligation	<u>(19,415)</u>	
		<u>(228,192)</u>
Total changes in net assets of governmental activities	\$	<u>(2,660,370)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 5,431,000	\$ 5,389,000	\$ 5,462,314	\$ 73,314
Other taxes and licenses	255,000	277,500	404,224	126,724
Unrestricted intergovernmental	3,105,000	3,110,000	3,253,999	143,999
Restricted intergovernmental	469,000	460,226	456,621	(3,605)
Permits and fees	95,000	95,000	112,740	17,740
Sales and services	3,903,646	3,853,646	3,898,605	44,959
Investment earnings	10,500	3,500	5,642	2,142
Miscellaneous	62,860	130,132	152,901	22,769
Total revenues	<u>13,332,006</u>	<u>13,319,004</u>	<u>13,747,046</u>	<u>428,042</u>
EXPENDITURES				
Current:				
General government	1,493,820	1,480,809	1,433,751	47,058
Public safety	5,984,310	5,838,364	5,662,053	176,311
Planning and Community Development	138,889	140,924	137,393	3,531
Cemetery	68,650	70,650	68,995	1,655
Code Compliance	129,787	134,569	127,020	7,549
Donations to Local Agencies	722,685	722,685	732,757	(10,072)
Economic and physical development	34,120	30,190	28,076	2,114
Transportation and utilities	1,432,657	1,535,639	1,359,123	176,516
Environmental protection	866,876	890,609	837,848	52,761
Cultural and recreational	1,532,690	1,536,080	1,479,137	56,943
Non-Departmental	431,860	460,208	463,478	(3,270)
Contingency	11,000	21,600	-	21,600
Debt service:				
Principal	126,640	733,723	733,666	57
Interest and other charges	-	211,707	211,659	48
Total expenditures	<u>12,973,984</u>	<u>13,807,757</u>	<u>13,274,956</u>	<u>532,801</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>358,022</u>	<u>(488,753)</u>	<u>472,090</u>	<u>960,843</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	867,210	388,370	169,126	(219,244)
Transfers to other funds	(1,454,470)	(267,486)	(247,502)	19,984
Total other financing sources (uses)	<u>(587,260)</u>	<u>120,884</u>	<u>(78,376)</u>	<u>(199,260)</u>
Fund balance appropriated	<u>229,238</u>	<u>367,869</u>		<u>(367,869)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>393,714</u>	<u>\$ 393,714</u>
Fund balances, beginning			4,613,658	
Prior Period Adjustment (See Note III. E.)			(231,179)	
Fund balances, beginning (restated)			<u>4,382,479</u>	
Fund balances, ending			<u>\$ 4,776,193</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Regional Water System Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,825,996	\$ 935,586	\$ 4,466,830	\$ 7,228,412
Accounts receivable (net)	596,208	605,787	210,724	1,412,719
Due from other funds	128,341	102,959	22	231,322
Inventories	-	11,711	28,486	40,197
Current portion of notes receivable	850,528	-	-	850,528
Restricted cash and cash equivalents	128,117	-	650,827	778,944
Total current assets	<u>3,529,190</u>	<u>1,656,043</u>	<u>5,356,889</u>	<u>10,542,122</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	2,715,083	3,592,270	1,901,519	8,208,872
Other capital assets, net of depreciation	15,880,349	22,512,334	20,237,505	58,630,188
Total capital assets	<u>18,595,432</u>	<u>26,104,604</u>	<u>22,139,024</u>	<u>66,839,060</u>
Notes receivable:				
Due in more than one year	7,198,333	-	-	7,198,333
Total non-current assets	<u>25,793,765</u>	<u>26,104,604</u>	<u>22,139,024</u>	<u>74,037,393</u>
Total assets	<u>\$ 29,322,955</u>	<u>\$ 27,760,647</u>	<u>\$ 27,495,913</u>	<u>\$ 84,579,515</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 22,096	\$ 219,741	\$ 84,851	\$ 326,688
Accrued interest payable	29,739	6,764	36,641	73,144
Due to other funds	265,335	17,276	5,214	287,825
Customer deposits	31,243	-	-	31,243
Security deposits	109,873	-	-	109,873
Current portion of long-term liabilities	897,743	382,697	1,117,049	2,397,489
Total current liabilities	<u>1,356,029</u>	<u>626,478</u>	<u>1,243,755</u>	<u>3,226,262</u>
Long-term liabilities:				
Other postemployment benefits	255,894	513,312	229,727	998,933
Compensated absences payable	34,965	33,488	27,928	96,381
Due in more than one year	6,606,749	783,460	2,479,393	9,869,602
Total long-term liabilities	<u>6,897,608</u>	<u>1,330,260</u>	<u>2,737,048</u>	<u>10,964,916</u>
Total liabilities	<u>8,253,637</u>	<u>1,956,738</u>	<u>3,980,803</u>	<u>14,191,178</u>
NET ASSETS				
Invested in capital assets, net of related debt	11,090,940	24,938,447	18,542,582	54,571,969
Unrestricted	9,978,378	865,462	4,972,528	15,816,368
Total net assets	<u>21,069,318</u>	<u>25,803,909</u>	<u>23,515,110</u>	<u>70,388,337</u>
Total Liabilities and Net Assets	<u>\$ 29,322,955</u>	<u>\$ 27,760,647</u>	<u>\$ 27,495,913</u>	<u>\$ 84,579,515</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For The Fiscal Year Ended June 30, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Regional Water System Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 5,341,790	\$ 4,218,055	\$ 4,205,273	\$ 13,765,118
Water reservation fee - Granville County	9,000,000	-	-	9,000,000
Tap fees	52,480	7,560	-	60,040
Other operating revenues	92,915	4,391	34,831	132,137
Total operating revenues	<u>14,487,185</u>	<u>4,230,006</u>	<u>4,240,104</u>	<u>22,957,295</u>
OPERATING EXPENSES				
Administration	194,561	-	-	194,561
Water treatment and distribution	4,188,563	-	-	4,188,563
Regional water system	-	-	2,295,711	2,295,711
Waste water treatment	-	2,305,434	-	2,305,434
Sewer Collection	-	485,566	-	485,566
Sewer Collection I&I	-	163,534	-	163,534
Depreciation	297,718	705,828	479,057	1,482,603
Total operating expenses	<u>4,680,842</u>	<u>3,660,362</u>	<u>2,774,768</u>	<u>11,115,972</u>
Operating income (loss)	<u>9,806,343</u>	<u>569,644</u>	<u>1,465,336</u>	<u>11,841,323</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	40,126	3,796	8,508	52,430
Sprint / T-Mobile agreements	50,262	-	-	50,262
Federal reimbursement - FEMA	6,362	-	5,250	11,612
Vance County	-	156,079	-	156,079
Insurance proceeds	12,084	10,395	-	22,479
Gain (loss) from sale of assets	2,074	437	139	2,650
Interest and other charges	(349,045)	(54,336)	(137,648)	(541,029)
Workers comp. reimbursement	1,288	7,171	1,276	9,735
Bond close-out proceeds	274,500	-	-	274,500
Bond issuance costs	(348,163)	-	-	(348,163)
Total nonoperating revenue (expenses)	<u>(310,512)</u>	<u>123,542</u>	<u>(122,475)</u>	<u>(309,445)</u>
Income (loss) before contributions and transfers	9,495,831	693,186	1,342,861	11,531,878
Capital contributions	53,424	912,105	-	965,529
Transfers from other funds	3,065,733	430,906	1,172,757	4,669,396
Transfers to other funds	(1,095,114)	(3,018,869)	(570,110)	(4,684,093)
Change in net assets	11,519,874	(982,672)	1,945,508	12,482,710
Total net assets, beginning	9,840,419	27,237,789	21,422,452	58,500,660
Prior Period Adjustment (See Note III. E.)	(290,975)	(451,208)	147,150	(595,033)
Total net assets, beginning (Restated)	<u>9,549,444</u>	<u>26,786,581</u>	<u>21,569,602</u>	<u>57,905,627</u>
Total net assets, ending	<u>\$ 21,069,318</u>	<u>\$ 25,803,909</u>	<u>\$ 23,515,110</u>	<u>\$ 70,388,337</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For The Fiscal Year Ended June 30, 2012

	Regional Water			Total
	Water Fund	Sewer Fund	System Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,588,147	\$ 4,621,531	\$ 4,173,820	\$ 14,383,498
Cash paid for goods and services	(4,040,953)	(2,156,522)	(1,863,772)	(8,061,247)
Cash paid to or on behalf of employees for services	(455,107)	(821,878)	(387,543)	(1,664,528)
Net cash provided (used) by operating activities	<u>1,092,087</u>	<u>1,643,131</u>	<u>1,922,505</u>	<u>4,657,723</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sprint / T-Mobile agreements	50,262	-	-	50,262
Federal reimbursement - FEMA	6,362	-	5,250	11,612
Insurance proceeds	12,084	10,395	-	22,479
Workers comp. reimbursement	1,288	7,171	1,276	9,735
Vance County	-	156,079	-	156,079
Transfers from other funds	3,065,733	430,906	1,172,757	4,669,396
Transfers to other funds	(1,095,114)	(3,018,869)	(570,110)	(4,684,093)
Total cash flows from noncapital financing activities	<u>2,040,615</u>	<u>(2,414,318)</u>	<u>609,173</u>	<u>235,470</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(426,280)	(1,611,800)	(23,838)	(2,061,918)
Non-capitalized items from CIP	66,742	-	-	66,742
Capital contributions	53,424	912,105	-	965,529
Bond proceeds	8,024,000	-	-	8,024,000
Principal paid on bond and equipment contracts	(11,084,702)	(346,420)	(1,059,952)	(12,491,074)
Interest paid on bond and equipment contracts	(406,415)	(56,392)	(146,478)	(609,285)
Bond close-out proceeds	274,500	-	-	274,500
Bond issuance costs	(348,163)	-	-	(348,163)
Principal received on notes receivable	951,139	-	-	951,139
Proceeds from sale of assets	2,074	6,096	139	8,309
Net cash provided (used) by capital and related financing activities	<u>(2,893,681)</u>	<u>(1,096,411)</u>	<u>(1,230,129)</u>	<u>(5,220,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	40,126	3,796	8,508	52,430
Net increase (decrease) in cash and cash equivalents	279,147	(1,863,802)	1,310,057	(274,598)
Balances, beginning	<u>1,674,966</u>	<u>2,799,388</u>	<u>3,807,600</u>	<u>8,281,954</u>
Balances, ending	<u>\$ 1,954,113</u>	<u>\$ 935,586</u>	<u>\$ 5,117,657</u>	<u>\$ 8,007,356</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For The Fiscal Year Ended June 30, 2012

	Regional Water			Total
	Water Fund	Sewer Fund	System Fund	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 9,806,343	\$ 569,644	\$ 1,465,336	\$ 11,841,323
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	297,718	705,828	479,057	1,482,603
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(8,911)	391,525	(66,284)	316,330
(Increase) decrease in notes receivable for water reservation fee	(9,000,000)	-	-	(9,000,000)
(Increase) decrease in inventory	-	2,687	(2,739)	(52)
liabilities	(169,249)	(72,772)	7,438	(234,583)
Increase (decrease) in security deposits	109,873	-	-	109,873
Increase in accrued OPEB liability	40,909	74,368	35,070	150,347
Increase (decrease) in accrued vacation pay	15,404	(28,149)	4,627	(8,118)
Total adjustments	<u>(8,714,256)</u>	<u>1,073,487</u>	<u>457,169</u>	<u>(7,183,600)</u>
Net cash provided by operating activities	<u>\$ 1,092,087</u>	<u>\$ 1,643,131</u>	<u>\$ 1,922,505</u>	<u>\$ 4,657,723</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	Pension Trust
	<u>Fund</u>
Assets	
Cash and cash equivalents	\$ <u>115,030</u>
Total assets	\$ <u>115,030</u>
Net Assets	
Held in trust for Employees' pension benefits	\$ <u>115,030</u>
Total net assets	\$ <u>115,030</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Pension Trust
	Fund
	<u> </u>
Additions	
Investment earnings	\$ 54
Deductions	
Transfer to General Fund	<u> 1,500</u>
Changes in net assets held in trust for:	
Employees' pension benefits	\$ (1,446)
Net assets-Beginning	<u> 116,476</u>
Net assets-Ending	<u> \$ 115,030</u>

The notes to the financial statements are an integral part of this statement.

Notes to Financial Statements

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

The accounting policies of the City of Henderson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Henderson is a municipal corporation, which is governed by an elected mayor and an eight-member council.

B. Component Unit

The accompanying statements present the City's primary government. The City has no component units over which it is financially accountable.

C. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Any interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented.

The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services, parks and recreation, and general governmental services. The City maintains separate Street Improvement and Powell Bill Funds for accounting purposes. These funds have been consolidated into the General Fund for reporting purposes.

The City reports the following non-major governmental funds:

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

General Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities for the General Fund.

Capital Project – Capital Reserve – General and Capital Reserve – Economic Development. These funds are used to accumulate funds to be expended on future capital projects and economic developments.

Powell Bill Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities for the Powell Bill Fund.

Elmwood Cemetery Permanent Fund. The fund is used to account for revenues collected from the sale of cemetery lots. The fund is legally restricted so that any earnings, if applicable, (and not principal) may be used.

The City reports the following major enterprise funds:

Water Fund. This fund is used to account for the general operations and user charges collected for the water services provided by the City.

Sewer Fund. This fund is used to account for the general operations and user charges collected for the sewer services provided by the City.

Regional Water System Fund. This fund is used to account for general operations and user charges of Regional Water Plant at Kerr Lake which provides water to the City and surrounding area.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

The City reports the following fund types:

Pension Trust Fund. The City has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

D. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Vance County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Henderson. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Vance County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

E. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve, Fiduciary, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. The appropriations are adopted at the object level (e.g., salaries, capital outlay) for the General Fund. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

F. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital

Management Trust (NCCMT). The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpected loan proceeds of the governmental and business-type activities debt are classified as restricted assets because their use is completely restricted to the purpose for which the loans were originally issued. Powell Bill funds are also classified as restricted cash because it can be expended only for purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits and security deposits are held by the City before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

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 major vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The costs of these inventories are recorded as an expense as the inventories are consumed.

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 and expensed as the items are used.

7. Notes Receivable

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term notes receivables are reported as receivables in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In fund financial statements, governmental fund types recognize the face amount of the notes receivable issued as other financing sources.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 with an estimated useful life of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	25
Vehicles	5
Furniture and equipment	10
Computer equipment	3

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with each 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 within the funds 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 policies provide 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity maintenance for the cemetery.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety – portion of fund balance that is available for appropriation but legally segregated for use to deter and investigate crimes. This amount represents the balance of the total drug tax/forfeiture funds.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by the North Carolina Department of Transportation for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for BJA 2011 Project – portion of fund balance that is restricted by the Bureau of Justice Assistance for the purchase of capital assets in public safety.

Restricted for Cary Chapel Crossing Project – portion of fund balance that is restricted by donations for use in the economic development of Cary Chapel Crossing.

Restricted for Capital Reserve – General – portion of fund balance restricted by general statute for future use in capital projects.

Restricted for Capital Reserve – Economic Development – portion of fund balance restricted by general statute for future use in economic developments.

Assigned fund balance – portion of fund balance that the City of Henderson intends to use for a specific purpose.

Subsequent year's expenditures – portion of the 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 appropriations; however, the budget ordinance authorizes the City Manager to reallocate as necessary.

Assigned for Capital Project funds – portion of fund balance that has been budgeted by the Board for specific projects.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

The City of Henderson 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.

II. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2012, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board to Vance County shared programs and non-departmental. Management will more closely review the budget reports to ensure compliance in future years.

Deficit in Fund Balance or Net Assets of Individual Funds

The Governmental Activities have a deficit in the unrestricted net assets at year end. The Management will more closely monitor these funds in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' 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, these deposits are considered to be held by the City'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 current 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and 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 policy regarding custodial credit risk for deposits. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions. The City analyzes the financial

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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

soundness of any other financial institution used by the City. The City complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the City's deposits had a carrying amount of \$5,346,483 and a bank balance of \$5,243,447. Of the bank balance, \$250,000 was covered by federal depository insurance. The rest of which was covered under by collateral held under the pooling method. The City had petty cash of \$2,140.

2. Investments

The City has no policy regarding credit risk. The City's investment in the North Carolina Capital Management Trust's Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012.

At June 30, 2012, the City's investments were as follows:

Reported <u>Value</u>	Fair <u>Value</u>
\$ 7,376,172	\$ 7,376,172

3. Receivables--Allowance for Doubtful Accounts

For the City, the amounts presented in Exhibit 1, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

	<u>June 30, 2012</u>
General Fund:	
Property Taxes Receivable	\$ 170,000
Accounts receivable	376,709
Enterprise Funds	
Accounts Receivable	<u>476,776</u>
Total	<u>\$ 854,823</u>

4. Notes Receivable

The City has a note receivable from Granville County for water allocation reservation fee. In order to obtain reservation of 1,500,000 gpd (gallons per day), Granville County will pay to the City a water allocation reservation fee of \$9,000,000 financed by the City over a period not to exceed ten (10) years at 1.25% interest. Payment of \$951,139 received on March 1, 2012 and balance financed over 9 years with periodic payments that would be due and payable to the City on the first day of March of each calendar year. Granville may pre-pay the water allocation fee in whole or in part at any time without penalty. Should Granville County later determine because of fiscal restraints that it cannot afford and need the entire allocation, it may, with at least six (6) months' advance written notice, due on or before the first day of July effective date of said notice, advise the City of its decision and need to reduce said allocation of water. Said reduction notice shall be agreeable to the City

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For the Fiscal Year Ended June 30, 2012

provided Granville County agrees to pay, or finish paying a minimum principal amount of \$5,000,000 in accordance with the following tier:

500,000 gpd	\$ 5,000,000
750,000 gpd	\$ 6,000,000
1,000,000 gpd	\$ 7,000,000
1,250,000 gpd	\$ 8,000,000
1,500,000 gpd	\$ 9,000,000

Water Fund

\$9,000,000, note receivable from Granville County
due in 9 annual installments of \$951,139 plus interest
at 1.25% for water allocation reservation fee. \$ 8,048,861

The future payments due from Granville County on the note receivable for the years ending June 30 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 850,528	\$ 100,611	\$ 951,139
2014	861,159	89,980	951,139
2015	871,924	79,215	951,139
2016	882,823	68,316	951,139
2017	893,858	57,281	951,139
2018-2021	<u>3,688,569</u>	<u>115,987</u>	<u>3,804,556</u>
	<u>\$ 8,048,861</u>	<u>\$ 511,390</u>	<u>\$ 8,560,251</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 593,523	\$ 64,223	\$ -	\$ 657,746
Land (CIP)	1,000,175	-	1,000,175	-
Construction in progress	3,515,783	1,327,373	3,679,704	1,163,452
Total capital assets not being depreciated	<u>5,109,481</u>	<u>1,391,596</u>	<u>4,679,879</u>	<u>1,821,198</u>
Capital assets being depreciated:				
Buildings	10,957,860	44,845	-	11,002,705
Other improvements	12,468,920	577,549	-	13,046,469
Equipment and vehicles	8,702,263	121,038	44,155	8,779,146
Total capital assets being depreciated	<u>32,129,043</u>	<u>743,432</u>	<u>44,155</u>	<u>32,828,320</u>
Less accumulated depreciation for:				
Buildings	1,226,647	250,257	-	1,476,904
Other improvements	12,122,757	295,478	-	12,418,235
Equipment and vehicles	7,468,706	498,434	44,155	7,922,985
Total accumulated depreciation	<u>20,818,110</u>	<u>1,044,169</u>	<u>44,155</u>	<u>21,818,124</u>
Total capital assets being depreciated, net	<u>11,310,933</u>			<u>11,010,196</u>
Governmental activity capital assets, net	<u>\$16,420,414</u>			<u>\$12,831,394</u>

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

General government	\$ 348,380
Public safety	504,978
Environmental protection	52,219
Recreation and parks	138,592
Total depreciation expense	<u>\$ 1,044,169</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 1,710,560	\$ -	\$ -	\$ 1,710,560
Construction in progress	672,905	398,360	66,742	1,004,523
Total capital assets not being depreciated	<u>2,383,465</u>	<u>398,360</u>	<u>66,742</u>	<u>2,715,083</u>
Capital assets being depreciated:				
Buildings	1,830,858	-	-	1,830,858
Distribution system	18,582,723	-	-	18,582,723
Equipment and vehicles	594,978	27,920	-	622,898
Total capital assets being depreciated	<u>21,008,559</u>	<u>27,920</u>	<u>-</u>	<u>21,036,479</u>
Less accumulated depreciation for:				
Buildings	384,831	21,745	-	406,576
Distribution system	3,985,150	242,438	-	4,227,588
Equipment and vehicles	488,431	33,535	-	521,966
Total accumulated depreciation	<u>4,858,412</u>	<u>297,718</u>	<u>-</u>	<u>5,156,130</u>
Total capital assets being depreciated, net	<u>16,150,147</u>			<u>15,880,349</u>
Water Fund capital assets, net	<u>18,533,612</u>			<u>18,595,432</u>
<i>Regional Water System Fund</i>				
Capital assets not being depreciated:				
Land	155,672	-	-	155,672
Construction in progress	1,722,009	23,838	-	1,745,847
Total capital assets not being depreciated	<u>1,877,681</u>	<u>23,838</u>	<u>-</u>	<u>1,901,519</u>
Capital assets being depreciated:				
Buildings	6,808,289	-	-	6,808,289
Distribution system	20,939,534	-	-	20,939,534
Equipment and vehicles	664,482	-	-	664,482
Total capital assets being depreciated	<u>28,412,305</u>	<u>-</u>	<u>-</u>	<u>28,412,305</u>
Less accumulated depreciation for:				
Buildings	3,479,805	101,117	-	3,580,922
Distribution system	3,796,893	332,896	-	4,129,789
Equipment and vehicles	419,045	45,044	-	464,089
Total accumulated depreciation	<u>7,695,743</u>	<u>479,057</u>	<u>-</u>	<u>8,174,800</u>
Total capital assets being depreciated, net	<u>20,716,562</u>			<u>20,237,505</u>
Regional Water System Fund capital assets, net	<u>22,594,243</u>			<u>22,139,024</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 211,136	\$ -	\$ -	\$ 211,136
Construction in progress	1,774,404	1,606,730	-	3,381,134
Total capital assets not being depreciated	<u>1,985,540</u>	<u>1,606,730</u>	<u>-</u>	<u>3,592,270</u>
Capital assets being depreciated:				
Buildings	22,992,934	-	25,000	22,967,934
Distribution system	13,158,879	-	-	13,158,879
Equipment and vehicles	1,881,154	5,070	13,265	1,872,959
Total capital assets being depreciated	<u>38,032,967</u>	<u>5,070</u>	<u>38,265</u>	<u>37,999,772</u>
Less accumulated depreciation for:				
Buildings	10,452,865	457,301	19,340	10,890,826
Distribution system	2,654,122	193,066	-	2,847,188
Equipment and vehicles	1,707,229	55,460	13,265	1,749,424
Total accumulated depreciation	<u>14,814,216</u>	<u>705,827</u>	<u>32,605</u>	<u>15,487,438</u>
Total capital assets being depreciated, net	<u>23,218,751</u>			<u>22,512,334</u>
Sewer Fund capital assets, net	<u>25,204,291</u>			<u>26,104,604</u>
Business-type activities capital assets, net	<u><u>\$66,332,146</u></u>			<u><u>\$66,839,060</u></u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System Plan Description

Plan Description. The City of Henderson contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.01% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Henderson are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$514,625, \$448,853 and \$383,752, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

i. *Plan Description.*

The City of Henderson administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .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. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance.

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2012

At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>52</u>
Total	<u>58</u>

ii. 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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

iii. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual report contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases.

Annual Pension Cost and Net Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 87,737
Interest on net pension obligation	11,485
Adjustment to annual required contribution	<u>(13,703)</u>
Annual pension cost	85,519
Contributions made	<u>(66,104)</u>
Increase (decrease) in net pension obligation	19,415
Net pension obligation beginning of year	<u>229,700</u>
Net pension obligation end of year	<u>\$ 249,115</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 65,570	0.00%	\$ 206,575
2011	88,125	73.76%	229,700
2012	85,519	77.30%	249,115

iv. Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits (AAL) was \$963,013 and the unfunded actuarial accrued liability (UAAL) was \$848,037. The covered payroll (annual payroll of active employees covered by the plan) was \$2,019,223, and the ratio of the UAAL to the covered payroll was 42.00 percent.

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

c. 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 and other employees 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 Comprehensive Annual Financial Report (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 and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$234,795, which consisted of \$116,852 from the City and \$117,943 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Henderson, to the Firemen's and Rescue Squad Workers Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

eligible fire and rescue squad workers that 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. The Firemen's and Rescue Workers Pension Fund 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 the Fund. 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. Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer controller, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides postretirement health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have completed a period of not less than ten years of continuous full-time employment with the City of Henderson.

For employees who retired on or before January 31, 2009, the City provides the following benefits:

For employees who had twenty (20) or more years of continuous full-time employment with the City, the City will pay health insurance premiums for life.

For employees who had fifteen (15) years, but less than twenty (20) years of continuous full-time employment by the City as of January 31, 2009, the City will pay health insurance premiums for a maximum of ten (10) years.

For employees retiring after January 31, 2009, the benefit schedule is as follows:

For employees who had twenty (20) or more years of continuous full-time employment with the City as of January 31, 2009, the City will pay health insurance premiums for life.

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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

For employees who had fifteen (15) years, but less than twenty (20) years of continuous full-time employment by the City as of January 31, 2009, the City will pay health insurance premiums for a maximum of ten (10) years. This group of employees may continue to receive health insurance benefits after the benefit period of ten (10) years expires, provided they personally pay one-half of the health insurance premiums the City pays for retired City employees.

Employees who had less than fifteen (15) years of continuous full-time employment with the City as of January 31, 2009 will not have health insurance premiums paid by the City upon their retirement, but will be allowed to participate in the City's health insurance plan (if any) after retirement from the City, provided said employee personally pays one-half of the health insurance premiums the City pays for retired City employees and provided the employee retires from the City with the NC Local Government Retirement System.

Membership of the plan consisted of the following at December 31, 2011, the date of the last actuarial valuation:

	<u>General Employees:</u>	<u>Law Enforcement Officers:</u>
Retirees and dependents receiving benefits	80	-
Terminating plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>151</u>	<u>51</u>
Total	<u>231</u>	<u>51</u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City's members pay \$684 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 9.95% of annual covered payroll. For the current year, the city contributed \$315,170 or 4.66% of annual covered payroll. The city obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0 % and 0% of covered payroll, respectively. There were no contributions made by employees, and no contributions for dependent coverage. The City's obligation to contribute to the plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Employer annual required contribution	\$	672,992
Interest on net pension obligation		129,559
Adjustment to annual required contribution		<u>(123,769)</u>
Annual pension cost		678,782
Contributions made		<u>(315,170)</u>
Increase (decrease) in net pension obligation		363,612
Net pension obligation beginning of year		<u>3,238,971</u>
Net pension obligation end of year		<u>\$ 3,602,583</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,418,436	19.55%	\$ 2,178,271
2011	1,418,436	25.22%	3,238,971
2012	678,782	46.43%	3,602,583

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$10,161,543. The covered payroll (annual payroll of active employees covered by the plan) was \$ 6,762,235, and the ratio of the UAAL to the covered payroll was 150.27 %. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2012

and plan members at that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of between 9.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

2. Other Employment Benefits

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), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 7.01% and 7.05% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
General Fund:		
Taxes Receivable	\$ 543,447	\$ -
Prepaid taxes	<u>-</u>	<u>19,423</u>
Total	<u>\$ 543,447</u>	<u>\$ 19,423</u>

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For the Fiscal Year Ended June 30, 2012

4. 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 participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability, employee benefits liability, public officials liability, employment practices liability, police professional liability, and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation.

The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial 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. The City does not carry any flood insurance.

In accordance with G.S. 159-29, the finance officer is bonded for \$50,000. The remaining employees that have access to funds have coverage under a Government Crime policy for theft of money and securities of \$5,000 per claim.

5. Claims, Judgments, and Contingent Liabilities

None.

6. Long Term Obligations

a. Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

<u>Leased Property</u>	<u>Date</u> <u>Executed</u>	<u>Payment Requirements</u>
Generator	12/3/2004	8 annual payments of \$56,347
Knuckleboom Grapple Unit	8/16/2007	6 annual payments of \$17,668
Street Truck, Fire Car & Rec. Car	10/29/2008	3 annual payments of \$22,556
Water Dist Truck & Reg. Truck	10/29/2008	3 annual payments of \$12,202
Fire Truck	10/29/2008	5 annual payments of \$32,604
Excavator & Video Camera	10/29/2008	5 annual payments of \$34,698
Mobile & Portable Radio System	9/1/2010	5 annual payments of \$21,009

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

The following is an analysis of the assets recorded under capital leases at June 30, 2012:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 831,932	\$ 613,721	\$ 218,211
Vehicles and motorized equipment	<u>1,240,542</u>	<u>1,102,763</u>	<u>137,779</u>
Total	<u>\$ 2,072,474</u>	<u>\$ 1,716,484</u>	<u>\$ 355,990</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Governmental</u>	<u>Business-Type</u>
2013	\$ 71,316	\$ 91,046
2014	53,647	34,698
2015	21,043	-
2016	21,043	-
2017	<u>-</u>	<u>-</u>
Total Minimum Lease Payments	\$ 167,049	\$ 125,744
Less amount representing interest	<u>(8,639)</u>	<u>(5,398)</u>
Present Value of Minimum Lease Payments	<u>\$ 158,410</u>	<u>\$ 120,346</u>

b. Notes Payable and Revolving Loans

At June 30, 2012, the City of Henderson had a legal debt margin of \$ 68,773,404.

Notes payable at June 30, 2012 are comprised of the following:

Serviced by the General Fund:

\$3,964,000, 2000 note payable to Wachovia Bank due in 15 annual installments of \$264,267 plus interest at 5.46% for the Aycokk Recreation Complex.	\$ 1,057,064
\$4,840,000, 2002 note payable to Wachovia Bank due in semi-annual installments ranging from \$304,036 to \$505,770 including interest at 4.84% for a police station.	2,385,000
\$163,750, 2009 note payable to Vance County due in annual installments of \$32,750 with no interest.	131,000

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Serviced by the Sewer Fund:

\$2,747,865, 1994 note payable to the North Carolina Division of Environmental Management due in 20 annual installments of \$137,393 plus interest at 3.385% for sewer improvements.	\$ 274,678
\$2,305,706, 1997 note payable to the North Carolina Division of Emergency Management due in 20 annual installments of \$115,285 plus interest at 3.43% for sewer improvements.	576,425
\$1,255,360, 1996 note payable to the North Carolina Department of Environment and Natural Resources due in 10 annual installments of \$62,227 plus interest at 5.85% for sewer improvements.	248,905

Serviced by Water Fund:

\$841,968, 1998 note payable to the North Carolina Department of Environment and Natural Resources due in 20 annual installments of \$42,098 plus interest at 3.43% for water lines.	210,492
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Serviced by Regional Water Fund:

\$3,800,000, 2003 note payable to Bank of America due in 20 semi-annual installments ranging from \$225,502 to \$225,297 including interest at 2.9% for water lines.	440,500
\$5,115,000, 2003 note payable to Bank of America due in 26 semi-annual installments ranging from \$250,550 to \$261,580 including interest at 3.18% for water lines.	1,931,000
\$2,130,000, 2004 note payable to Bank of America due in 31 semi-annual installments of \$95,823 including interest at 3.74% for water lines.	<u>1,170,745</u>
Total	<u>\$ 8,425,809</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 647,016	\$ 173,150	\$ 1,404,746	\$ 157,966
2014	647,016	141,781	986,274	114,198
2015	647,016	110,412	869,833	79,497
2016	647,016	79,043	895,401	48,644
2017	350,000	47,674	330,470	23,958
2018-2019	<u>635,000</u>	<u>44,770</u>	<u>366,021</u>	<u>17,270</u>
Total	<u>\$ 3,573,064</u>	<u>\$ 596,830</u>	<u>\$ 4,852,745</u>	<u>\$ 441,533</u>

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2012

c. Revenue Bond Refunding

\$8,024,000 Combined Enterprise System Revenue Refunding Bond, Series 2011, (Water and Sewer Fund) (Replaced the Combined Enterprise System Revenue Bonds, Series 2001 - Issued for water and sewer system improvements.) Principal installments are due annually on May 1, with semi-annual interest payments due on November 1 and May 1, at an annual interest rate of 2.40%.

\$ 7,294,000

The future payments of the Revenue Bond for the years ending June 30 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 835,000	\$ 175,056	\$ 1,010,056
2014	862,000	155,016	1,017,016
2015	876,000	134,328	1,010,328
2016	899,000	113,304	1,012,304
2017	925,000	91,728	1,016,728
2018-2020	<u>2,897,000</u>	<u>140,088</u>	<u>3,037,088</u>
Total	<u>\$ 7,294,000</u>	<u>\$ 809,520</u>	<u>\$ 8,103,520</u>

The City has been in compliance with the covenants as to rates, fees, and charges in Section 704 of the Bond order, authorizing the issuance of the Combined Enterprise System Revenue Refunding Bond, Series 2011, since its' adoption in 2011. Section 704(a) of the Bond Order requires the parity debt service coverage ratio to be no less than 125% (or 1.25) and the subordinate debt service coverage ratio to be no less than 100% or (1.00).

The debt service ratio calculations for the year ended June 30, 2012, are as follows:

	<u>Water and Sewer Fund</u>
Income (Loss) Before Contributions and Transfers	\$ 10,189,017
Add Back:	
Interest and Other Charges	403,381
Depreciation	<u>1,003,546</u>
Net Revenues	<u>\$ 11,595,944</u>
Parity Debt	
Debt Service, Principal and Interest (Revenue Refunding Bond Only)	<u>\$ 870,687</u>
Debt Coverage Ratio	<u>13.32</u>
Required Debt Coverage Ratio	<u>1.25</u>

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Subordinate Debt	
Debt Service, Principal and Interest (All, including Capital Leases)	\$ 1,650,131
Subtract Parity Debt	<u>(870,687)</u>
Debt Service, Principal and Interest (All, excluding Parity Debt)	<u>\$ 779,444</u>
Debt Coverage Ratio	
Net Revenues	\$ 11,595,944
Less: Parity Debt	<u>(870,687)</u>
Subtotal	<u>\$ 10,725,257</u>
Debt Service, Principal and Interest (All, excluding Parity Debt)	
	<u>\$ 779,444</u>
Debt Coverage Ratio	
	<u>13.76</u>
Required Debt Coverage Ratio	
	<u>1.00</u>

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$ 8,024,000 in water and sewer system revenue bonds issued in 2011. Proceeds from the bonds provided financing for the extension of water lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2020. The total principal and interest remaining to be paid on the bond is \$ 8,103,520. Principal and interest paid for the current year was \$ 870,687.

d. Changes in General Long-Term Debt

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Notes Payable	\$ 4,220,080	\$ -	\$ 647,016	\$ 3,573,064	\$ 647,016
Capital Leases	245,060	-	86,650	158,410	66,716
Net Pension Obligation	229,700	19,415	-	249,115	-
Other Post-employment Benefits	2,390,385	213,265	-	2,603,650	-
Compensated absences	434,942	152,408	156,896	430,454	156,000
Governmental activity long-term liabilities	<u>\$ 7,520,167</u>	<u>\$ 385,088</u>	<u>\$ 890,562</u>	<u>\$ 7,014,693</u>	<u>\$ 869,732</u>
Business-type Activities:					
Notes Payable	\$ 6,513,336	\$ -	\$1,660,591	\$ 4,852,745	\$ 1,404,746
Revenue Bond	10,005,000	-	10,005,000	-	-
Refunding Bond	-	8,024,000	730,000	7,294,000	835,000
Capital Leases	215,829	-	95,483	120,346	86,743
Other Post-employment Benefits	848,586	150,347	-	998,933	-
Compensated absences	104,499	63,737	71,855	96,381	71,000
Business-type activity long-term liabilities	<u>\$ 17,687,250</u>	<u>\$8,238,084</u>	<u>\$12,562,929</u>	<u>\$ 13,362,405</u>	<u>\$ 2,397,489</u>

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2012

Compensated absences, other post-employment benefits and net pension obligation for governmental activities have typically been liquidated in the General Fund.

e. Operating Leases

The City entered into an operating lease with Alfred Leasing Company for copier equipment. The lease calls for monthly payments of \$1,605 for 48 months. The following is a schedule of future minimum lease payments required under the operate lease that have non-cancelable lease terms in excess of one year as of June 30, 2012:

June 30, 2013	\$ 19,260
June 30, 2014	19,260
June 30, 2015	19,260
June 30, 2016	4,815

C. Interfund Balances and Activity

Interfund balances at June 30, 2012 consist of the following:

Due to General Fund:	
From Enterprise Funds	<u>\$ 79,752</u>
Due to Enterprise Funds:	
From General Fund	<u>\$ 23,249</u>

Transfers From/To Other Funds at June 30, 2012 consist of the following:

From the Water, Regional Water System, and Sewer Funds to General Fund to supplement other funding sources	\$ 141,734
From the Capital Project – Powell Bill to General Fund	21,600
From the Pension Trust Fund to General Fund	1,500
From Gov.’s Crime Commission Grant to General Fund	605
From Capital Projects – General Fund to General Fund	3,600
From Recycling Project to General Fund	1
From HOPE VI Project to General Fund	86
From General Fund to Special Revenue Funds – Grant match	(9,529)
From General Fund to Capital Projects – General Fund	(15,486)
From General Fund to Capital Project – Powell Bill	(87,000)
From General Fund to Water Fund to supplement funds	(127,087)
From General Fund to Capital Reserve – Econ. Development	<u>(8,400)</u>
Net	<u>\$ (78,376)</u>

CITY OF HENDERSON, NORTH CAROLINA
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D. Fund Balance

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

<u>Total Fund Balance – General Fund</u>	\$ 4,776,193
Less:	
Stabilization by State Statute	1,392,725
Public Safety	768,647
Streets-Powell Bill	349,608
Appropriated Fund Balance in 2013 Budget	259,600
Remaining Fund Balance	2,005,613

E. Prior Period Adjustment

During the fiscal year ended June 30, 2012, the City determined that the accounts receivable for the water and sewer billings per the Enterprise Funds and the sanitation billings per the General Fund were overstated from prior years. An adjustment was made to reduce accounts receivable and beginning fund balance in the General, Water, and Sewer fund by \$231,179, \$290,975, and \$451,208, respectively. The net effect of such adjustments was to reduce total beginning net assets by \$973,362.

It was noted during the fiscal year that the Regional Water System Fund's construction in progress was understated by \$147,150 from previous years. An adjustment was made to increase the beginning net assets and the beginning construction in progress by \$147,150.

Additionally, it was noted that Governmental Activities' land and construction in progress were incorrectly reported in prior periods. An adjustment was made to reduce land by \$2,537,815 and to increase construction in progress by \$164,112. The net effect of such adjustments caused beginning net assets to be decreased by \$2,373,703.

IV. Jointly Governed Organization

The City, in conjunction with five counties and fifteen municipalities, established the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints at least one member to the Council's governing board. The City paid membership fees of \$6,608 to the Council during the fiscal year ended June 30, 2012.

V. Joint Ventures

H. Leslie Perry Memorial Library

The City participates in a joint venture to operate H. Leslie Perry Memorial Library with Vance County. Each participating government appoints six board members to the twelve-member board of the Library. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments'

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2012.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$224,770 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 205 Breckenridge Street, Henderson, NC 27536.

Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance

The City also participates in a joint venture to operate the Oxford-Henderson Airport Authority. The City appoints one member to the four-member board. None of the participating governments have an equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2012.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$26,022 to the Authority to supplement its activities. Complete financial statements can be obtained from the Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance, 6514 Airport Road, Oxford, NC 27565.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VII. Significant Effects of Subsequent Events

The City has evaluated events and transactions that occurred between June 30, 2012 and January 10, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The following significant subsequent events were noted:

On July 17, 2012, the City of Henderson was approved for assistance from the Clean Water State Revolving Fund in the amount of \$1,000,000. One half of the loan funds utilized will be forgiven with a current maximum of \$500,000 to be forgiven.

On August 7, 2012, the City of Henderson was formally approved by the N.C. Local Government Commission to receive a low interest SRF loan of \$16,615,000. Of the total amount, \$1,000,000 will be in the form of principal forgiveness.

Supplementary Information

CITY OF HENDERSON, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2002	\$ 248,940	\$ 481,430	\$ 232,490	51.71%	\$ 1,868,813	12.44%
12/31/2003	244,138	487,682	243,544	50.06%	1,812,982	13.43%
12/31/2004	240,723	487,064	246,341	49.42%	1,785,985	13.79%
12/31/2005	242,324	473,285	230,961	51.20%	1,917,449	12.05%
12/31/2006	240,352	558,458	318,106	43.04%	1,884,257	16.88%
12/31/2007	229,951	628,386	398,435	36.59%	1,894,019	21.04%
12/31/2008	217,047	675,357	458,310	32.14%	2,017,254	22.72%
12/31/2009	192,621	847,450	654,829	22.73%	2,203,775	29.71%
12/31/2010	115,000	899,030	784,030	12.79%	2,085,763	37.59%
12/31/2011	114,976	963,013	848,037	11.94%	2,019,223	42.00%

CITY OF HENDERSON, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended	Annual	Percentage	Contributions
June 30,	Required	Contributed	Made
Contribution	Contribution	Contribution	Made
2003	\$ 40,329	29.4%	\$ 11,867
2004	48,358	12.6%	6,110
2005	47,205	7.6%	3,564
2006	48,355	9.8%	4,717
2007	46,216	53.0%	24,512
2008	51,109	9.6%	4,928
2009	57,738	11.4%	6,573
2010	64,229	0.0%	-
2011	88,855	73.2%	65,000
2012	87,737	75.3%	66,104

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay Closed
Remaining amortization period	19 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25%-7.85%
Includes inflation at	3.00%
Cost-of living adjustments	N/A

CITY OF HENDERSON, NORTH CAROLINA
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2006	\$ -	\$ 14,970,034	\$ 14,970,034	0.00%	\$ 7,111,936	210.49%
12/31/2009	-	9,899,313	9,899,313	0.00%	7,469,376	132.53%
12/31/2011	-	10,161,543	10,161,543	0.00%	6,762,235	150.27%

CITY OF HENDERSON, NORTH CAROLINA
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Year Ended	Annual	Percentage	Contributions
June 30,	Required	Contributed	Made
Contribution	Contribution	Contribution	Contribution
2009	\$ 1,312,462	20.98%	\$ 275,325
2010	1,412,742	19.63%	277,302
2011	1,412,742	25.32%	357,736
2012	672,992	46.83%	315,170

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, open
Remaining amortization period	30 Years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50% - 5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of Ultimate trend rate	2018

*Includes inflation at 3.00%

Statements and Schedules

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$	\$ 5,029,391	\$	\$ 4,803,194
Prior years		338,928		370,886
Penalties and Interest		93,995		85,520
Total	<u>5,389,000</u>	<u>5,462,314</u>	<u>73,314</u>	<u>5,259,600</u>
Other taxes and licenses:				
Privilege licenses		391,556		306,870
Vehicle rental tax		12,668		11,672
Total	<u>277,500</u>	<u>404,224</u>	<u>126,724</u>	<u>318,542</u>
Unrestricted intergovernmental:				
Vance County ABC-5%		1,775		3,306
Franchise tax		826,279		902,259
Local option sales tax		2,355,482		2,150,394
ABC net revenues		3,800		16,200
Beer and wine tax		66,663		71,558
Total	<u>3,110,000</u>	<u>3,253,999</u>	<u>143,999</u>	<u>3,143,717</u>
Restricted intergovernmental:				
State Street Aid grant		441,226		447,950
DOT mowing / snow contract		2,185		12,354
Solid waste disposal tax		10,505		11,005
Bullet Proof Vest Grant		2,705		2,803
Total	<u>460,226</u>	<u>456,621</u>	<u>(3,605)</u>	<u>474,112</u>
Permits and fees:				
Auto Tags		112,740		92,333
Total	<u>95,000</u>	<u>112,740</u>	<u>17,740</u>	<u>92,333</u>
Sales and services:				
Recreation	50,000	51,711		36,726
Refuse collections	1,636,112	1,677,466		1,652,199
Misc. refuse collections	5,000	900		5,385
Leaf bags	1,500	1,678		1,741
Recycling rebates	-	-		280
Debt setoff-refuse collections	1,500	1,437		622
Bad debt recovery	3,000	409		2,285
Cemetery interment	23,000	15,750		20,690
Aquatics Center	67,000	68,038		75,648

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance Positive (Negative)	2011 Actual
	<u>Budget</u>	<u>Actual</u>		
Police Training Central rental	\$ 2,000	\$ -		\$ 2,000
Rental-Ramsey Street	-	-		5,400
Rental-Fox Pond Park	500	1,640		1,227
Demolition and lot cleaning	4,000	25,352		3,350
Administration fees	1,249,900	1,249,899		1,249,899
County contracts	795,134	788,210		785,875
Zoning and reclassification	<u>15,000</u>	<u>16,115</u>		<u>15,212</u>
Total	<u>3,853,646</u>	<u>3,898,605</u>	<u>44,959</u>	<u>3,858,539</u>
Investment earnings				
General Fund		5,455		9,930
Powell Bill		187		693
Library		-		-
Total	<u>3,500</u>	<u>5,642</u>	<u>2,142</u>	<u>10,623</u>
Miscellaneous:				
Parking violations	4,000	4,615		4,115
Civil penalties	-	-		(15)
Liens collected	-	230		-
Drug tax/Forfeitures	-	13,937		333,906
Court fees and charges	13,000	8,265		11,126
Fire code violations	1,000	200		950
False alarm fines	-	2,500		5,000
Recreation donations	-	4,630		1,724
Miscellaneous	73,051	57,777		6,387
Insurance proceeds	23,055	25,489		20,279
Workers compensation reimbursement	10,000	30,128		6,429
Progress Energy lighting rebate	-	-		25,405
Sale of assets	<u>6,026</u>	<u>5,130</u>		<u>85,339</u>
Total	<u>130,132</u>	<u>152,901</u>	<u>22,769</u>	<u>500,645</u>
Total revenues	<u>13,319,004</u>	<u>13,747,046</u>	<u>428,042</u>	<u>13,658,111</u>
Expenditures:				
General government:				
Governing Body		189,391		219,740
Administration		436,325		400,198
Human Resources		132,599		130,497
Finance		595,250		521,248
Public Buildings		<u>80,186</u>		<u>95,228</u>
Total	<u>1,480,809</u>	<u>1,433,751</u>	<u>47,058</u>	<u>1,366,911</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance Positive (Negative)	2011 Actual
	<u>Budget</u>	<u>Actual</u>		
Public safety:				
Police	\$	\$ 3,682,507	\$	\$ 3,799,228
Fire		<u>1,979,546</u>		<u>2,024,173</u>
Total	<u>5,838,364</u>	<u>5,662,053</u>	<u>176,311</u>	<u>5,823,401</u>
Planning and Community Development	<u>140,924</u>	<u>137,393</u>	<u>3,531</u>	<u>132,148</u>
Cemetery	<u>70,650</u>	<u>68,995</u>	<u>1,655</u>	<u>69,545</u>
Code Compliance	<u>134,569</u>	<u>127,020</u>	<u>7,549</u>	<u>170,385</u>
Vance County Shared Programs	<u>722,685</u>	<u>732,757</u>	<u>(10,072)</u>	<u>664,791</u>
Economic and Physical Development	<u>30,190</u>	<u>28,076</u>	<u>2,114</u>	<u>32,812</u>
Transportation and Utilities:				
Street Repair and Construction		993,225		1,066,435
Street Repair and Const. - capital outlay		17,300		-
City Garage		109,753		247,669
Administration-Public Works		212,823		207,287
Airport		<u>26,022</u>		<u>26,022</u>
Total	<u>1,535,639</u>	<u>1,359,123</u>	<u>176,516</u>	<u>1,547,413</u>
Environmental Protection	<u>890,609</u>	<u>837,848</u>	<u>52,761</u>	<u>791,878</u>
Culture and recreation:				
Recreation and Parks		793,870		784,499
Aycock Aquatics Center		279,150		283,399
Recreation-Youth		181,347		164,085
Donation to Library		<u>224,770</u>		<u>262,230</u>
Total	<u>1,536,080</u>	<u>1,479,137</u>	<u>56,943</u>	<u>1,494,213</u>
Non-Departmental				
Insurance deductible		30,589		15,544
Group insurance - retiree		377,370		357,736
Unemployment costs		27,767		12,886
Economic development incentive		5,000		-
Information technology		<u>22,752</u>		<u>43,920</u>
Total	<u>460,208</u>	<u>463,478</u>	<u>(3,270)</u>	<u>430,086</u>

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Budget	Actual		
Debt service:				
Principal retirement	\$	\$ 733,666	\$	\$ 764,141
Interest and other charges		211,659		226,004
Total debt service	945,430	945,325	105	990,145
Contingency	21,600	-	21,600	-
Total expenditures	13,807,757	13,274,956	532,801	13,513,728
Revenues over (under) expenditures	(488,753)	472,090	960,843	144,383
Other financing sources (uses):				
Transfers (to) / from other funds:				
Water Fund	84,000	77,617	-	57,194
Sewer Fund	49,600	43,217	-	30,494
Regional Water System Fund	20,900	20,900	-	7,024
Water/Sewer/Street	-	-	-	44,880
Pension Trust Fund	-	-	-	60,460
Bureau of Justice 2003	-	-	-	62
Capital Projects - Powell Bill	21,600	21,600	-	-
LEO Separation Allowance Pension Fund	1,500	1,500	-	-
Federal Assets Forfeitures	206,480	-	-	-
Governor's Crime Comm. Viper Radio Grant	605	605	-	-
Capital Projects - General Fund	3,600	3,600	-	-
Recycling Project	-	1	-	-
HOPE VI	85	86	-	-
Ransom Street Redevelopment	(805)	(805)	-	-
Capital Projects - Powell Bill	(87,000)	(87,000)	-	-
A.L. Harris CDBG Housing Dev. Project	(34,681)	(14,681)	-	-
Governor's Crime Commission Grant	(7,262)	(7,262)	-	-
2009 BJA JAG Grant	(13)	(13)	-	-
2010 BJA JAG Grant	(900)	(864)	-	-
Capital Reserve - Economic Development	(8,400)	(8,400)	-	-
HOPE VI (Phase II)	-	-	-	(6,000)
NC Dept. of Commerce Round II Energy	-	-	-	(35,430)
NCDOT Gov. Highway Safety Grant	-	-	-	(2,490)
2010 Community Revi. Initiative Grant	(1,391)	(1,390)	-	(19,979)
Gov. Crime Comm. Viper Radio Grant	-	-	-	(15,150)
David Street Project	-	-	-	(4,449)
Capital Projects-General Fund	-	-	-	(14,811)
Water Fund	(127,034)	(127,087)	-	(183,063)
Sewer Fund	-	-	-	(45,752)

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>			<u>2011</u> <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>	
Capital Lease Obligation Issued	\$ -	\$ -	\$ -	\$ 98,131
Total	<u>120,884</u>	<u>(78,376)</u>	<u>(199,260)</u>	<u>(28,879)</u>
Fund Balance Appropriated	<u>367,869</u>	<u>-</u>	<u>(367,869)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>393,714</u>	<u>\$ 393,714</u>	<u>115,504</u>
Fund balances, beginning		4,613,658		4,498,154
Prior Period Adjustment (See Note III. E.)		<u>(231,179)</u>		<u>-</u>
Fund balances, beginning (restated)		<u>4,382,479</u>		<u>4,498,154</u>
Fund balances, ending		<u>\$ 4,776,193</u>		<u>\$ 4,613,658</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>Nonmajor Special Revenue Funds</u>						Capital Project - NC DOT Governor's Highway Safety Grant	Capital Project - Governor's Crime Comm. Viper Radio Grant	
	Bureau of Justice Grant-03	Recycling Project Grant	BJA 2011	Cary Chapel Crossing Project	Governor's Crime Commission Grants	2010 Community Revi Initiative Grant			Total Nonmajor Special Revenue Funds
Assets									
Cash and cash equivalents	\$ -	\$ -	\$ 1,380	\$ 15,405	\$ -	\$ -	\$ 16,785	\$ -	\$ -
Restricted Cash	-	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,380</u>	<u>\$ 15,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,785</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances									
Liabilities:									
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Overdraft	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:									
Non Spendable:									
Perpetual maintenance	-	-	-	-	-	-	-	-	-
Restricted:	-	-	1,380	15,405	-	-	16,785	-	-
Assigned:	-	-	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>1,380</u>	<u>15,405</u>	<u>-</u>	<u>-</u>	<u>16,785</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,380</u>	<u>\$ 15,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,785</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

								<u>Total Nonmajor Governmental Funds</u>	
	Capital Project - Bureau of Justice JAG Grant	Capital Project - 2010 BJA Grant	Capital Project - Capital Reserve General	Capital Reserve - Economic Development	General Fund Capital Project Fund	Powell Bill Capital Project Fund	Elmwood Cemetery Permanent Fund	June 30, 2012	June 30, 2011
Assets									
Cash and cash equivalents:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,316	\$ 430,965	\$ 586,066	\$ 767,531
Restricted Cash	-	-	56,421	8,400	-	-	-	64,821	56,412
Accounts receivable, net	-	-	-	-	595,507	-	-	595,507	35,612
Due from general fund	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,421</u>	<u>\$ 8,400</u>	<u>\$ 595,507</u>	<u>\$ 138,316</u>	<u>\$ 430,965</u>	<u>\$ 1,246,394</u>	<u>\$ 859,555</u>
Liabilities and Fund Balances									
Liabilities:									
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ 326,296	\$ -	\$ -	\$ 326,296	\$ 65,977
Bank Overdraft	-	-	-	-	-	-	-	-	41,682
Accounts payable	-	-	-	-	104,701	-	-	104,701	48,755
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,997</u>	<u>-</u>	<u>-</u>	<u>430,997</u>	<u>156,414</u>
Fund balances:									
Non Spendable:									
Perpetual maintenance	-	-	-	-	-	-	430,965	430,965	430,210
Restricted:	-	-	56,421	8,400	-	-	-	81,606	96,032
Assigned:	-	-	-	-	164,510	138,316	-	302,826	204,805
Unassigned:	-	-	-	-	-	-	-	-	(27,906)
Total Fund Balance	<u>-</u>	<u>-</u>	<u>56,421</u>	<u>8,400</u>	<u>164,510</u>	<u>138,316</u>	<u>430,965</u>	<u>815,397</u>	<u>703,141</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,421</u>	<u>\$ 8,400</u>	<u>\$ 595,507</u>	<u>\$ 138,316</u>	<u>\$ 430,965</u>	<u>\$ 1,246,394</u>	<u>\$ 859,555</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	Nonmajor Special Revenue Funds						Capital	Capital	
	Bureau of Justice Grant-03	Recycling Project Grant	BJA 2011	Cary Chapel Crossing Project	Governor's Crime Commission Grants	2010 Community Revi Initiative Grant	Total Nonmajor Special Revenue Funds	Project - NC DOT Governor's Highway Safety Grant	Project - Governor's Crime Comm. Viper Radio Grant
Revenues:									
Restricted intergovernmental									
Public Safety Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dept. of Commerce Grant	-	-	-	-	-	-	-	-	-
Weed and Seed Grant	-	-	-	-	-	-	-	-	-
Governor's Crime Commission	-	-	-	-	-	9,973	9,973	-	-
NC DENR Grant	-	4,500	-	-	-	-	4,500	-	-
SAFETEA-LU Grant	-	-	-	-	-	-	-	-	-
US Dept of Housing and Urban Dev.	-	-	-	-	-	-	-	-	-
Department of Justice Grant	-	-	30,818	-	-	-	30,818	-	-
Governor's Highway Safety Grant	-	-	-	-	-	-	-	7,470	-
Sales of Assets	-	-	-	-	-	-	-	-	-
Investment earnings	71	-	-	-	-	-	71	-	-
Total Revenues	71	4,500	30,818	-	-	9,973	45,362	7,470	-
Expenditures:									
Administration	-	-	29,438	-	-	2,772	32,210	-	-
Departmental Supplies	-	-	-	-	-	-	-	-	-
Rehabilitation	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	29,438	-	-	2,772	32,210	-	-
Revenues Over (Under) Expenditures	71	4,500	1,380	-	-	7,201	13,152	7,470	-
Other Financing Sources									
Transfers in	-	-	-	-	7,262	1,390	8,652	-	-
Transfers (out)	-	(1)	-	-	-	-	(1)	-	(605)
Total Other Financing Sources	-	(1)	-	-	7,262	1,390	8,651	-	(605)
Excess of Revenues and Other Sources Over (Under) Expenditures	71	4,499	1,380	-	7,262	8,591	21,803	7,470	(605)
Fund Balance-July 1	(71)	(4,499)	-	15,405	(7,262)	(8,591)	(5,018)	(7,470)	605
Fund Balance-June 30	\$ -	\$ -	\$ 1,380	\$ 15,405	\$ -	\$ -	\$ 16,785	\$ -	\$ -

CITY OF HENDERSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	Capital Project - Bureau of Justice JAG Grant	Capital Project - 2010 BJA Grant	Capital Project - Capital Reserve General	Capital Reserve - Economic Development	General Fund Capital Project Fund	Powell Bill Capital Project Fund	Elmwood Cemetery Permanent Fund	Total Nonmajor Governmental Funds	
								June 30, 2012	June 30, 2011
Revenues:									
Restricted intergovernmental									
Public Safety Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,378
Dept. of Commerce Grant	-	-	-	-	27,665	-	-	27,665	36,893
Weed and Seed Grant	-	-	-	-	79,984	-	-	79,984	128,362
Governor's Crime Commission	-	-	-	-	-	-	-	9,973	47,987
NC DENR Grant	-	-	-	-	-	-	-	4,500	-
SAFETEA-LU Grant	-	-	-	-	-	-	-	-	40,494
US Dept of Housing and Urban Dev.	-	-	-	-	1,241,453	-	-	1,241,453	251,695
Department of Justice Grant	-	-	-	-	-	-	-	30,818	-
Governor's Highway Safety Grant	-	-	-	-	-	-	-	7,470	-
Sales of Assets	-	-	-	-	150	-	-	150	125
Investment earnings	-	-	9	-	14	33	205	332	(99)
Total Revenues	-	-	9	-	1,349,266	33	205	1,402,345	555,835
Expenditures:									
Administration	-	-	-	-	-	-	-	32,210	98,604
Departmental Supplies	-	-	-	-	-	-	-	-	(201)
Rehabilitation	-	-	-	-	54,842	-	-	54,842	138,045
Capital Outlay	-	25,079	-	-	1,272,531	-	-	1,297,610	452,898
Total Expenditures	-	25,079	-	-	1,327,373	-	-	1,384,662	689,346
Revenues Over (Under) Expenditures	-	(25,079)	9	-	21,893	33	205	17,683	(133,511)
Other Financing Sources									
Transfers in	13	864	-	8,400	15,536	87,000	550	121,015	98,309
Transfers (out)	-	-	-	-	(4,236)	(21,600)	-	(26,442)	(62)
Total Other Financing Sources	13	864	-	8,400	11,300	65,400	550	94,573	98,247
Excess of Revenues and Other Sources Over (Under) Expenditures	13	(24,215)	9	8,400	33,193	65,433	755	112,256	(35,264)
Fund Balance-July 1	(13)	24,215	56,412	-	131,317	72,883	430,210	703,141	738,405
Fund Balance-June 30	\$ -	\$ -	\$ 56,421	\$ 8,400	\$ 164,510	\$ 138,316	\$ 430,965	\$ 815,397	\$ 703,141

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 03
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
BJA Grant 03	\$ 32,595	\$ 32,555	\$ -	\$ 32,555	\$ (40)
Investment earnings	-	70	71	141	141
Total Revenues	<u>32,595</u>	<u>32,625</u>	<u>71</u>	<u>32,696</u>	<u>101</u>
Expenditures:					
Public Safety					
Travel and school	6,263	6,177	-	6,177	86
Departmental supplies	5,473	7,132	-	7,132	(1,659)
Capital outlay	24,481	22,947	-	22,947	1,534
Total Expenditures	<u>36,217</u>	<u>36,256</u>	<u>-</u>	<u>36,256</u>	<u>(39)</u>
Revenues Over (Under)					
Expenditures	(3,622)	(3,631)	71	(3,560)	62
Other Financing Sources (Uses):					
Transfers in (out)	<u>3,622</u>	<u>3,560</u>	<u>-</u>	<u>3,560</u>	<u>(62)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (71)</u>	71	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(71)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - Recycling Project Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
NC DENR Grant	\$ 4,500	\$ -	\$ 4,500	\$ 4,500	\$ -
Investment earnings	-	-	-	-	-
Total Revenues	<u>4,500</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Expenditures:					
Public Safety					
Departmental supplies	5,400	5,399	-	5,399	1
Capital outlay	-	-	-	-	-
Total Expenditures	<u>5,400</u>	<u>5,399</u>	<u>-</u>	<u>5,399</u>	<u>1</u>
Revenues Over (Under) Expenditures	(900)	(5,399)	4,500	(899)	1
Other Financing Sources (Uses)					
Transfers in (out)	<u>900</u>	<u>900</u>	<u>(1)</u>	<u>899</u>	<u>(1)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (4,499)</u>	4,499	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(4,499)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - Governor's Crime Commission - COPS Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Governor's Crime Commission	\$ 11,999	\$ 10,102	\$ -	\$ 10,102	\$ (1,897)
Investment earnings	-	-	-	-	-
Total Revenues	<u>11,999</u>	<u>10,102</u>	<u>-</u>	<u>10,102</u>	<u>(1,897)</u>
Expenditures:					
Public Safety					
Departmental supplies	11,999	10,102	-	10,102	1,897
Capital outlay	-	-	-	-	-
Total Expenditures	<u>11,999</u>	<u>10,102</u>	<u>-</u>	<u>10,102</u>	<u>1,897</u>
Revenues Over (Under)					
Expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - BJA 2011
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Department of Justice Grant	\$ 30,818	\$ -	\$ 30,818	\$ 30,818	\$ -
Investment earnings	-	-	-	-	-
Total Revenues	<u>30,818</u>	<u>-</u>	<u>30,818</u>	<u>30,818</u>	<u>-</u>
Expenditures:					
Public Safety					
Overtime	17,154	-	15,732	15,732	1,422
FICA/ Medicare	1,328	-	1,203	1,203	125
Retirement	861	-	1,109	1,109	(248)
401k matching	868	-	787	787	81
Vance County Sheriff Share	<u>10,607</u>	<u>-</u>	<u>10,607</u>	<u>10,607</u>	<u>-</u>
Total Expenditures	<u>30,818</u>	<u>-</u>	<u>29,438</u>	<u>29,438</u>	<u>1,380</u>
Revenues Over (Under)					
Expenditures	-	-	1,380	1,380	1,380
Other Financing Sources (Uses)					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	1,380	<u>\$ 1,380</u>	<u>\$ 1,380</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ 1,380</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - Cary Chapel Crossing Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Dept. of Commerce Grant	\$ 216,000	\$ 216,000	\$ -	\$ 216,000	\$ -
Donations	227,079	224,358	-	224,358	(2,721)
Investment earnings	-	-	-	-	-
Total Revenues	<u>443,079</u>	<u>440,358</u>	<u>-</u>	<u>440,358</u>	<u>(2,721)</u>
Expenditures:					
Public Safety					
Salaries	17,940	1,496	-	1,496	16,444
Advertising	1,500	418	-	418	1,082
Construction	227,079	226,479	-	226,479	600
Street improvements	141,560	141,560	-	141,560	-
Sewer improvements	33,300	33,300	-	33,300	-
Water improvements	21,700	21,700	-	21,700	-
Total Expenditures	<u>443,079</u>	<u>424,953</u>	<u>-</u>	<u>424,953</u>	<u>18,126</u>
Revenues Over (Under)					
Expenditures	-	15,405	-	15,405	15,405
Other Financing Sources (Uses)					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 15,405</u>	<u>-</u>	<u>\$ 15,405</u>	<u>\$ 15,405</u>
Fund Balance, Beginning			<u>15,405</u>		
Fund Balance, Ending			<u>\$ 15,405</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - Governor's Crime Commission Grants
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project	Actual			Variance
		Authorization	Prior Years	Current Year	
Revenues:					
Restricted intergovernmental:					
Governor's Crime Commission	\$ 28,255	\$ 28,255	\$ -	\$ 28,255	\$ -
JAG 06 Grant	9,988	9,988	-	9,988	-
Investment earnings	-	-	-	-	-
Total Revenues	<u>38,243</u>	<u>38,243</u>	<u>-</u>	<u>38,243</u>	<u>-</u>
Expenditures:					
Public Safety					
Operating cost - JAG 06	13,317	13,317	-	13,317	-
Operating cost - Crime Commiss:	42,443	42,443	-	42,443	-
Capital outlay - Crime Commissi	7,188	7,188	-	7,188	-
Total Expenditures	<u>62,948</u>	<u>62,948</u>	<u>-</u>	<u>62,948</u>	<u>-</u>
Revenues Over (Under)					
Expenditures	(24,705)	(24,705)	-	(24,705)	-
Other Financing Sources (Uses)					
Transfers in (out)	<u>24,705</u>	<u>17,443</u>	<u>7,262</u>	<u>24,705</u>	<u>-</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (7,262)</u>	<u>7,262</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(7,262)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund - Grant Project Fund - 2010 Community Revi Initiative Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project	Actual			Variance
		Authorization	Prior Years	Current Year	
Revenues:					
Restricted intergovernmental:					
Governor's Crime Commission	\$ 57,962	\$ 47,987	\$ 9,973	\$ 57,960	\$ (2)
Investment earnings	-	-	-	-	-
Total Revenues	<u>57,962</u>	<u>47,987</u>	<u>9,973</u>	<u>57,960</u>	<u>(2)</u>
Expenditures:					
Public Safety					
Overtime	56,450	54,060	2,389	56,449	1
FICA	3,579	3,431	148	3,579	-
Medicare	35	34	-	34	1
Retirement	2,781	2,665	116	2,781	-
401k matching	2,687	2,568	119	2,687	-
Departmental supplies	11,000	11,000	-	11,000	-
Capital outlay < \$5,000	<u>2,800</u>	<u>2,799</u>	<u>-</u>	<u>2,799</u>	<u>1</u>
Total Expenditures	<u>79,332</u>	<u>76,557</u>	<u>2,772</u>	<u>79,329</u>	<u>3</u>
Revenues Over (Under)					
Expenditures	(21,370)	(28,570)	7,201	(21,369)	1
Other Financing Sources (Uses)					
Transfers in (out)	<u>21,370</u>	<u>19,979</u>	<u>1,390</u>	<u>21,369</u>	<u>(1)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (8,591)</u>	<u>8,591</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(8,591)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - NCDOT Governor's Highway Safety Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Governor's Highway Safety	\$ 7,470	\$ -	\$ 7,470	\$ 7,470	\$ -
Investment earnings	-	-	-	-	-
Total Revenues	<u>7,470</u>	<u>-</u>	<u>7,470</u>	<u>7,470</u>	<u>-</u>
Expenditures:					
Public Safety					
Departmental supplies	-	-	-	-	-
Capital outlay	<u>9,960</u>	<u>9,960</u>	<u>-</u>	<u>9,960</u>	<u>-</u>
Total Expenditures	<u>9,960</u>	<u>9,960</u>	<u>-</u>	<u>9,960</u>	<u>-</u>
Revenues Over (Under)					
Expenditures	(2,490)	(9,960)	7,470	(2,490)	-
Other Financing Sources (Uses)					
Transfers in (out)	<u>2,490</u>	<u>2,490</u>	<u>-</u>	<u>2,490</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (7,470)</u>	7,470	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(7,470)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - Governor's Crime Commission Viper Radio Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Governor's Crime Commission	14,545	14,545	-	14,545	-
Investment earnings	-	-	-	-	-
Total Revenues	<u>14,545</u>	<u>14,545</u>	<u>-</u>	<u>14,545</u>	<u>-</u>
Expenditures:					
Public Safety					
Departmental supplies	-	-	-	-	-
Capital outlay < \$5,000	<u>29,090</u>	<u>29,090</u>	<u>-</u>	<u>29,090</u>	<u>-</u>
Total Expenditures	<u>29,090</u>	<u>29,090</u>	<u>-</u>	<u>29,090</u>	<u>-</u>
Revenues Over (Under)					
Expenditures	(14,545)	(14,545)	-	(14,545)	-
Other Financing Sources (Uses)					
Transfers in (out)	<u>14,545</u>	<u>15,150</u>	<u>(605)</u>	<u>14,545</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 605</u>	(605)	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>605</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - Bureau of Justice Recovery Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
BJA Recovery Grant 09	\$ 141,946	\$ 141,946	\$ -	\$ 141,946	\$ -
Investment earnings	-	-	-	-	-
Total Revenues	<u>141,946</u>	<u>141,946</u>	<u>-</u>	<u>141,946</u>	<u>-</u>
Expenditures:					
Public Safety					
Capital outlay	93,064	93,064	-	93,064	-
Vance Co. Grant Share	48,882	48,882	-	48,882	-
Total Expenditures	<u>141,946</u>	<u>141,946</u>	<u>-</u>	<u>141,946</u>	<u>-</u>
Revenues Over (Under)					
Expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - Bureau of Justice - JAG Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Department of Justice	\$ 34,497	\$ 34,497	\$ -	\$ 34,497	\$ -
Investment Earnings	-	-	-	-	-
Total Revenues	<u>34,497</u>	<u>34,497</u>	<u>-</u>	<u>34,497</u>	<u>-</u>
Expenditures:					
Public Safety					
Capital outlay	25,880	25,880	-	25,880	-
Vance Co. Grant Share	<u>11,880</u>	<u>11,880</u>	<u>-</u>	<u>11,880</u>	<u>-</u>
Total Expenditures	<u>37,760</u>	<u>37,760</u>	<u>-</u>	<u>37,760</u>	<u>-</u>
Revenues Over (Under)					
Expenditures	(3,263)	(3,263)	-	(3,263)	-
Other Financing Sources (Uses)					
Transfers in (out)	<u>3,263</u>	<u>3,250</u>	<u>13</u>	<u>3,263</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (13)</u>	13	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>(13)</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - 2010 BJA Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Department of Justice Grant	\$ 35,833	\$ 35,833	\$ -	\$ 35,833	\$ -
Investment earnings	-	-	-	-	-
Total Revenues	<u>35,833</u>	<u>35,833</u>	<u>-</u>	<u>35,833</u>	<u>-</u>
Expenditures:					
Public Safety					
Vance County Sheriff Share	11,618	11,618	-	11,618	-
Capital outlay < \$5,000	9,101	-	9,065	9,065	36
Capital outlay > \$5,000	16,014	-	16,014	16,014	-
Total Expenditures	<u>36,733</u>	<u>11,618</u>	<u>25,079</u>	<u>36,697</u>	<u>36</u>
Revenues Over (Under)					
Expenditures	(900)	24,215	(25,079)	(864)	36
Other Financing Sources (Uses)					
Transfers in (out)	<u>900</u>	<u>-</u>	<u>864</u>	<u>864</u>	<u>(36)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 24,215</u>	<u>(24,215)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>24,215</u>		
Fund Balance, Ending			<u>\$ -</u>		

CITY OF HENDERSON, NORTH CAROLINA
Capital Project - Capital Reserve Fund - General
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance Positive (Negative)	2011 Total
	Budget	Actual		
Revenues:				
Investment Earnings	\$ 50	\$ 9	\$ (41)	\$ -
Other Financing Sources (Uses)				
Transfer to General Fund	-	-	-	-
Fund Balance Appropriated	(50)	-	50	-
Total Other Financing Sources (Uses)	(50)	-	50	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	9	<u>\$ 9</u>	-
Fund balance, beginning		<u>56,412</u>		<u>56,412</u>
Fund balance, ending		<u>\$ 56,421</u>		<u>\$ 56,412</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Fund - Economic Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	2011 Total
	Budget	Actual	(Negative)	
Revenues:				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
Expenditures:				
EDP 12-2 Thermo King	1,000	-	1,000	-
EDP 12-1 Appliance	800	-	800	-
Capital Reserve	<u>6,600</u>	<u>-</u>	<u>6,600</u>	<u>-</u>
Total Expenditures	<u>8,400</u>	<u>-</u>	<u>8,400</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(8,400)</u>	<u>-</u>	<u>8,400</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfer from General Fund	8,400	8,400	-	-
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>8,400</u>	<u>8,400</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	8,400	<u>\$ 8,400</u>	-
Fund balance, beginning		<u>-</u>		<u>-</u>
Fund balance, ending		<u>\$ 8,400</u>		<u>\$ -</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund - General
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>					Variance
	<u>Current Year</u>					
Project	Revenues/			Total to	Positive	
<u>Authorization</u>	<u>Prior Years</u>	<u>Expenditures</u>	<u>Closed</u>	<u>Date</u>	<u>(Negative)</u>	
Revenues:						
Restricted intergovernmental						
Weed and Seed Grant 08-09	\$ -	\$ 121,516	\$ -	\$ (121,516)	\$ -	\$ -
Weed and Seed Grant 09-10	-	133,343	-	(133,343)	-	-
Weed and Seed 2010 Grant	-	63,679	79,984	(143,663)	-	-
CDBG A.L. Harris Housing Development	-	195,881	-	(195,881)	-	-
SAFETEA- LU - Beckford Drive Widening	825,000	117,992	-	-	117,992	(707,008)
HUD Reimbursement	-	-	399,900	(399,900)	-	-
NC Dept. of Commerce - Round II Energy	31,570	844	27,665	-	28,509	(3,061)
Energy Efficiency & Conservation Grant	-	39,549	-	(39,549)	-	-
US Dept. of Housing and Urban Development	1,000,000	56,625	838,523	-	895,148	(104,852)
NC DCA - Infrastructure Hook-up	-	40,747	-	(40,747)	-	-
NC Rural Center - Zene St.	-	25,000	-	(25,000)	-	-
US Dept. of Housing and Urban Development	-	996,970	3,030	(1,000,000)	-	-
Rental revenue	-	26,208	-	(26,208)	-	-
Sales tax refunds	-	118,249	150	(118,399)	-	-
Private fund raising	-	550	-	(550)	-	-
Donations	-	20,000	-	(20,000)	-	-
Sale of Land	-	628,280	-	(628,280)	-	-
Sale of Assets	-	10,125	-	(10,125)	-	-
Investment earnings	-	169,577	14	(169,576)	15	15
Total Revenues	<u>1,856,570</u>	<u>2,765,135</u>	<u>1,349,266</u>	<u>(3,072,737)</u>	<u>1,041,664</u>	<u>(814,906)</u>
Expenditures:						
Infrastructure Hook-up Project						
Rehabilitation	-	33,251	-	(33,251)	-	-
Administration	-	7,546	-	(7,546)	-	-
Ransom Street Development						
Advertising	-	710	-	(710)	-	-
Engineering Advertising	-	10,095	-	(10,095)	-	-
Weed and Seed Grant 08-09						
Operating expenses	-	122,124	(608)	(121,516)	-	-

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund - General
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>					Variance Positive (Negative)
	<u>Current Year</u>				Total to Date	
Project Authorization	Prior Years	Revenues/ Expenditures	Closed	Total to Date		Total to Date
Weed and Seed Grant 09-10						
Operating expenses	\$ -	\$ 133,206	\$ 137	\$ (133,343)	\$ -	\$ -
Weed and Seed 2010 Grant						
Operating expenses	-	88,350	55,313	(143,663)	-	-
Zene Street Redevelopment						
Site Planning & Engineering	-	26,000	-	(26,000)	-	-
CDBG A.L. Harris Develop.						
Contracted services	-	16,900	-	(16,900)	-	-
Administration	-	923	-	(923)	-	-
Capital improvements	-	212,738	-	(212,738)	-	-
Beckford Drive Widening						
Contingency	84,150	-	-	-	-	84,150
Administration	12,787	4,861	821	-	5,682	7,105
Construction	732,600	-	-	-	-	732,600
Engineering	201,713	195,155	-	-	195,155	6,558
Beacon Light Demolition						
Professional services	-	6,989	563	(7,552)	-	-
Contracted services	-	-	399,900	(399,900)	-	-
City Hall Renovation						
Construction	-	665,273	-	(665,273)	-	-
OP Center Wall Repair						
Construction	-	39,875	-	(39,875)	-	-
NC Dept. of Commerce -						
Round II Energy						
Contracted services	1,900	1,550	-	-	1,550	350
Administration	8,300	139	-	-	139	8,161
Construction	56,800	-	55,330	-	55,330	1,470
Energy Efficiency & Conservation Grant						
Construction	-	54,360	-	(54,360)	-	-
Embassy Block Development - South						
Telephone	-	2,129	-	(2,129)	-	-
Travel and School	-	1,164	-	(1,164)	-	-
Supplies	-	4,036	-	(4,036)	-	-
Professional services	-	119,515	-	(119,515)	-	-
Capital outlay - land	-	1,000,175	-	(1,000,175)	-	-
Capital outlay - equipment	-	2,363	-	(2,363)	-	-
Planning/design	-	616,514	-	(616,514)	-	-
Legal/administrative	-	47,498	-	(47,498)	-	-
Demolition	-	925	-	(925)	-	-

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund - General
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				<u>Total to</u>	<u>Variance</u>
	<u>Current Year</u>					
<u>Project</u>	<u>Authorization</u>	<u>Prior Years</u>	<u>Revenues/ Expenditures</u>	<u>Closed</u>	<u>Date</u>	<u>Positive (Negative)</u>
US Depart of Housing and Urban Development Improvements & Structures	\$ 1,006,000	\$ 88,425	\$ 812,723	\$ -	\$ 901,148	\$ 104,852
US Depart of Housing and Urban Development Improvements & Structures	-	1,008,721	3,194	(1,011,915)	-	-
Total Expenditures	<u>2,104,250</u>	<u>4,511,510</u>	<u>1,327,373</u>	<u>(4,679,879)</u>	<u>1,159,004</u>	<u>945,246</u>
Revenues Over (Under)						
Expenditures	(247,680)	(1,746,375)	21,893	1,607,142	(117,340)	130,340
Other Financing Sources (Uses)						
Transfer from General Fund	247,680	275,491	-	(27,811)	247,680	-
Transfer from Powell Bill	-	3,400	15,486	(18,886)	-	-
Transfer from Water Fund	-	3,300	-	(3,300)	-	-
Transfer from Sewer Fund	-	3,300	50	(3,350)	-	-
Transfer from Cemetery Fund	-	820	-	(820)	-	-
Transfer from Gen. Fund (FB)	-	1,533,211	-	(1,533,211)	-	-
Transfer from Capital Reserve	-	24,000	-	(24,000)	-	-
Transfer to General Fund	-	-	(3,600)	3,600	-	-
Transfer to Elmwood Cemetery	-	-	(550)	550	-	-
Transfer to General Fund	-	-	(86)	86	-	-
Total Other Financing Sources	<u>247,680</u>	<u>1,843,522</u>	<u>11,300</u>	<u>(1,607,142)</u>	<u>247,680</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 97,147</u>	33,193	<u>\$ -</u>	<u>\$ 130,340</u>	<u>\$ 130,340</u>
Fund Balance, Beginning			<u>131,317</u>			
Fund Balance, Ending			<u>\$ 164,510</u>			

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund - Powell Bill
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				<u>Total to</u>	<u>Variance</u>
	<u>Current Year</u>					
<u>Project</u>	<u>Authorization</u>	<u>Prior Years</u>	<u>Revenues/ Expenditures</u>	<u>Closed</u>	<u>Date</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:						
Investment earnings	\$ -	\$ 21,200	\$ 33	\$ -	\$ 21,233	\$ 21,233
Sales tax refunds	-	388	-	-	388	388
Total Revenues	<u>-</u>	<u>21,588</u>	<u>33</u>	<u>-</u>	<u>21,621</u>	<u>21,621</u>
Expenditures:						
High Street Connector						
Planning/design	6,485	4,448	-	-	4,448	2,037
Capital outlay - land	26,892	-	-	-	-	26,892
Street Repairs						
Legal/admin	500	-	-	-	-	500
Construction	86,500	-	-	-	-	86,500
Total Expenditures	<u>120,377</u>	<u>4,448</u>	<u>-</u>	<u>-</u>	<u>4,448</u>	<u>115,929</u>
Revenues Over (Under)						
Expenditures	(120,377)	17,140	33	-	17,173	137,550
Other Financing Sources (Uses)						
Transfer from General Fund	33,377	33,377	-	-	33,377	-
Fund Balance Appropriated	21,600	-	-	-	-	(21,600)
Transfer to Powell Bill	(21,600)	-	(21,600)	-	(21,600)	-
Transfer from Powell Bill	87,000	-	87,000	-	87,000	-
Total Other Financing Sources	<u>120,377</u>	<u>33,377</u>	<u>65,400</u>	<u>-</u>	<u>98,777</u>	<u>(21,600)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 50,517</u>	<u>65,433</u>	<u>\$ -</u>	<u>\$ 115,950</u>	<u>\$ 115,950</u>
Fund Balance, Beginning			<u>72,883</u>			
Fund Balance, Ending			<u>\$ 138,316</u>			

CITY OF HENDERSON, NORTH CAROLINA
Elmwood Cemetery Permanent Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Revenues:				
Cemetery revenues	\$ -	\$ -	\$ -	\$ -
Investment income	-	205	205	-
Total Revenues	<u>-</u>	<u>205</u>	<u>205</u>	<u>-</u>
Expenditures				
Maintenance	-	-	-	-
Revenues Over (Under) Expenditures	-	205	205	-
Other Financing Sources (Uses)				
Fund balance appropriated	(550)	-	550	-
Transfer from Capital Project - General Fund	550	550	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>550</u>	<u>550</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	755	<u>\$ 755</u>	-
Fund Balance, Beginning		<u>430,210</u>		<u>430,210</u>
Fund Balance, Ending		<u>\$ 430,965</u>		<u>\$ 430,210</u>

CITY OF HENDERSON, NORTH CAROLINA
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	2011 Actual
	Budget	Actual	Positive (Negative)	
Revenues:				
Operating Revenues				
Charge for Services				
Water charges	\$ 5,019,800	\$ 5,094,192	\$ 74,392	\$ 4,927,021
Water reservation fee - Granville County	951,139	951,139	-	-
Debt setoff - water charges	5,000	1,226	(3,774)	4,753
Sprinklers and hydrants	110,000	115,877	5,877	113,535
Bad debts recovery	4,000	6,226	2,226	11,053
Returned check fees	3,800	3,375	(425)	5,050
Tapping	17,860	52,480	34,620	39,369
Reconnection	25,000	23,615	(1,385)	36,301
Set up charges	16,000	11,343	(4,657)	10,699
Overpayments utilities	-	13,190	13,190	1,721
Past due charges	83,000	72,745	(10,255)	99,946
Total	<u>6,235,599</u>	<u>6,345,408</u>	<u>109,809</u>	<u>5,249,448</u>
Other operating revenues				
Sale of materials	15,000	3,291	(11,709)	17,578
Admin Support	70,000	70,000	-	70,000
Miscellaneous	3,500	6,234	2,734	4,810
Over-short	-	132	132	(191)
Total	<u>88,500</u>	<u>79,657</u>	<u>(8,843)</u>	<u>92,197</u>
Total Operating Revenues	<u>6,324,099</u>	<u>6,425,065</u>	<u>100,966</u>	<u>5,341,645</u>
Nonoperating revenues:				
Interest on investments	5,000	40,126	35,126	4,964
Insurance proceeds	11,117	12,084	967	4,835
Workers comp. reimbursement	-	1,288	1,288	270
Sale of assets	-	2,074	2,074	1,866
Dept. of Commerce Grant	-	-	-	33,000
Federal reimbursement - FEMA	6,362	6,362	-	-
T-Mobile Agreement	25,000	25,245	245	24,750
Sprint PCS Site Agreement	25,000	25,017	17	26,076
Total Nonoperating Revenues	<u>72,479</u>	<u>112,196</u>	<u>39,717</u>	<u>95,761</u>
Total Revenues	<u>6,396,578</u>	<u>6,537,261</u>	<u>140,683</u>	<u>5,437,406</u>

CITY OF HENDERSON, NORTH CAROLINA
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Expenditures:				
Administration and Engineering				
Salaries and employee benefits	\$ 172,834	\$ 167,029	\$ 5,805	\$ 150,705
Supplies	7,140	6,531	609	6,994
Telephone	2,630	2,581	49	2,514
Contracted services	3,180	1,022	2,158	3,186
Insurance	2,160	1,488	672	1,857
Capital outlay - noncapital	800	308	492	7,715
Other administration expenses	7,270	4,023	3,247	2,377
Contingency	-	-	-	-
Total	<u>196,014</u>	<u>182,982</u>	<u>13,032</u>	<u>175,348</u>
Water Distribution				
Salaries and employee benefits	487,841	455,116	32,725	430,150
Purchases for resale	2,595,029	2,626,198	(31,169)	2,471,506
Supplies	58,259	52,583	5,676	42,616
Telephone	4,750	5,065	(315)	4,789
Maintenance	85,190	55,240	29,950	35,516
Bad debt expense	30,000	36,200	(6,200)	17,109
Insurance	16,200	14,917	1,283	21,687
Administration support	491,295	491,295	-	491,295
Contracted services	64,760	64,289	471	41,803
Reimbursement - Water	45,970	42,840	3,130	41,493
Capital outlay - noncapital	3,950	2,520	1,430	1,784
Other expenses	34,230	29,994	4,236	28,937
Contingency	30,815	-	30,815	-
Total	<u>3,948,289</u>	<u>3,876,257</u>	<u>72,032</u>	<u>3,628,685</u>
Budgetary Appropriations				
Interest and fees	570,971	406,415	164,556	582,647
Bond issuance costs	348,163	348,163	-	-
Bond close-out proceeds	(274,500)	(274,500)	-	-
Principal	3,297,366	3,060,701	236,665	1,127,484
Capital outlay				
Equipment - Water Distrib.	28,000	27,920	80	12,054
Water line repairs	77,863	70,388	7,475	69,523
Water meter replacements	98,500	97,056	1,444	76,497
Utility street repairs	-	-	-	75,647
Water taps	35,000	33,386	1,614	63,683
Total	<u>4,181,363</u>	<u>3,769,529</u>	<u>411,834</u>	<u>2,007,535</u>
Total Expenditures	<u>8,325,666</u>	<u>7,828,768</u>	<u>496,898</u>	<u>5,811,568</u>

CITY OF HENDERSON, NORTH CAROLINA
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Other financing sources (uses):				
Transfer (to) other funds	\$ (1,364,308)	\$ (1,375,699)	\$ (11,391)	\$ (302,990)
Appropriated Fund Balance	241,429	-	(241,429)	-
Transfer from other funds	<u>3,051,967</u>	<u>2,997,114</u>	<u>(54,853)</u>	<u>770,083</u>
Total	<u>1,929,088</u>	<u>1,621,415</u>	<u>(307,673)</u>	<u>467,093</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	329,908	329,908	92,931
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 329,908</u>	<u>\$ 329,908</u>	<u>\$ 92,931</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses		<u>\$ 329,908</u>		
Budgetary Appropriations:				
Capital Outlay		27,920		
Principal payments on debt		3,060,701		
Notes receivable - water reservation fee		9,000,000		
Notes receivable - principal payments		(951,139)		
Adjustments:				
Change in accrued vacation		(15,404)		
Change in accrued interest		57,371		
Change in accrued OPEB Liability		(40,909)		
Depreciation		(297,718)		
Transfer in from Water Fund to Water Capital Project Fund		280,429		
Transfer in from Capital Reserve - Utilities to Water Capital Project Fund		120,000		
Transfer out Water Capital Project Fund to Water Fund		(51,225)		
Sales Tax Refund - Water Capital Project Fund		13,258		
Non-capitalized items from Water Capital Project Fund		(66,742)		
Capital contributions		<u>53,424</u>		
Total reconciling items		<u>11,189,966</u>		
Change in net assets		<u>\$ 11,519,874</u>		

CITY OF HENDERSON, NORTH CAROLINA
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Revenues:				
Operating Revenues				
Charge for Services				
Sewer Charges	\$ 3,837,358	\$ 3,923,953	\$ 86,595	\$ 3,748,611
Sewer surcharges	13,000	12,425	(575)	15,493
Debt setoff - water charges	5,000	2,400	(2,600)	3,906
Bad debts recovery	10,000	10,637	637	17,431
Tapping	8,000	7,560	(440)	20,455
Reconnection	60,000	55,101	(4,899)	84,701
Code violations	1,000	9,873	8,873	350
Set up charges	28,000	26,375	(1,625)	24,964
Fog compliance monitoring	7,500	7,553	53	10,353
Past due charges	197,965	169,739	(28,226)	233,207
Total	<u>4,167,823</u>	<u>4,225,616</u>	<u>57,793</u>	<u>4,159,471</u>
Other Operating Revenues				
Sale of materials	-	567	567	-
Miscellaneous	50	338	288	87
Over-short	-	-	-	-
Total	<u>50</u>	<u>905</u>	<u>855</u>	<u>87</u>
Total Operating Revenues	<u>4,167,873</u>	<u>4,226,521</u>	<u>58,648</u>	<u>4,159,558</u>
Nonoperating Revenues:				
Interest on investments	2,000	3,796	1,796	3,142
Sale of assets	-	6,096	6,096	938
Insurance proceeds	967	10,395	9,428	57,380
Workers comp. reimbursement	-	7,171	7,171	1,381
Vance County	155,610	156,079	469	161,856
Total Nonoperating Revenues	<u>158,577</u>	<u>183,537</u>	<u>24,960</u>	<u>224,697</u>
Total Revenues	<u>4,326,450</u>	<u>4,410,058</u>	<u>83,608</u>	<u>4,384,255</u>
Expenditures:				
Waste Water Treatment				
Salaries and employee benefits	842,605	833,082	9,523	798,654
Supplies	266,190	265,810	380	244,739
Telephone	14,970	14,240	730	14,532
Bad debt expense	50,000	40,050	9,950	17,024
Contracted Services	185,000	180,083	4,917	123,375

CITY OF HENDERSON, NORTH CAROLINA
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	2012			2011 Actual
	Budget	Actual	Variance Positive (Negative)	
Maintenance	\$ 292,050	\$ 231,835	\$ 60,215	\$ 252,585
Utilities	301,100	313,804	(12,704)	306,063
Insurance	63,180	59,852	3,328	79,988
Administration support	297,150	297,150	-	297,150
Other expenses	17,680	13,656	4,024	12,979
Contingency	16,102	-	16,102	-
Capital outlay - noncapital	-	-	-	9,751
Total	<u>2,346,027</u>	<u>2,249,562</u>	<u>96,465</u>	<u>2,156,840</u>
Sewer Collection				
Salaries and employee benefits	150,293	140,382	9,911	138,729
Insurance	12,740	12,762	(22)	21,269
Supplies	20,587	16,889	3,698	17,625
Maintenance	58,100	38,607	19,493	13,277
Telephone	4,700	2,058	2,642	2,488
Administration support	236,544	236,544	-	236,544
Reimbursement - Utility policy	1,210	1,457	(247)	1,041
Contracted services	15,000	11,158	3,842	3,566
Bad debts	20,000	-	20,000	-
Capital outlay - noncapital	-	-	-	3,538
Other expenses	12,530	8,334	4,196	8,573
Contingency	16,417	-	16,417	-
Total	<u>548,121</u>	<u>468,191</u>	<u>79,930</u>	<u>446,650</u>
Sewer Collection I & I				
Salaries and employee benefits	103,314	108,757	(5,443)	94,898
Insurance	9,160	9,142	18	6,722
Supplies	18,365	16,214	2,151	14,088
Maintenance	13,860	11,701	2,159	24,336
Contracted services	16,000	13,505	2,495	100
Capital outlay - noncapital	-	-	-	1,784
Other expenses	4,800	3,989	811	2,668
Contingency	16,888	-	16,888	-
Total	<u>182,387</u>	<u>163,308</u>	<u>19,079</u>	<u>144,596</u>
Budgetary Appropriations				
Interest and fees	45,990	56,391	(10,401)	73,253
Principal	346,424	346,420	4	345,425
Capital outlay				
Equipment - Waste Water Treatment	5,100	5,071	29	22,916
Non-departmental	15,770	-	15,770	-

CITY OF HENDERSON, NORTH CAROLINA
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>			<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
Sewer line repairs	\$ 18,000	\$ 13,280	\$ 4,720	\$ 20,907
Sewer taps	7,000	3,787	3,213	7,117
Total	<u>438,284</u>	<u>424,949</u>	<u>13,335</u>	<u>469,618</u>
 Total Expenditures	 <u>3,514,819</u>	 <u>3,306,010</u>	 <u>208,809</u>	 <u>3,217,704</u>
Other financing sources (uses):				
Transfer (to) other funds	(957,609)	(958,549)	(940)	(844,461)
Transfer from other funds	-	17,696	17,696	63,448
Total	<u>(957,609)</u>	<u>(940,853)</u>	<u>16,756</u>	<u>(781,013)</u>
 Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (145,978)	 163,195	 309,173	 385,538
 Appropriated Fund Balance	 <u>145,978</u>	 <u>-</u>	 <u>(145,978)</u>	 <u>-</u>
 Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	 <u>\$ -</u>	 <u>\$ 163,195</u>	 <u>\$ 163,195</u>	 <u>\$ 385,538</u>

CITY OF HENDERSON, NORTH CAROLINA
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues, Other Sources, and Appropriated Fund	
Balance Over (Under) Expenditures and Other Uses	\$ <u>163,195</u>
 Budgetary Appropriations:	
Capital Outlay	\$ 5,071
Principal Payments	346,420
 Adjustments:	
Change in accrued vacation	28,149
Change in inventory	(2,687)
Change in accrued interest	2,054
Change in accrued OPEB liability	(74,368)
Depreciation	(705,828)
Basis in asset sold	(5,659)
Transfer in from Sewer Fund to Sewer Capital Project Fund	166,978
Transfer in from Capital Reserve - Utilities to Sewer Capital to Sewer Capital Project Fund	413,210
Transfer out Sewer Capital Project Fund to Sewer Fund	(2,227,298)
Reduction of Interest Income for Fee Cost from the Sewer Capital Project Fund	(7,500)
Sales Tax Refund - Sewer Capital Project Fund	3,486
Capital Contributions	<u>912,105</u>
Total reconciling items	\$ <u>(1,145,867)</u>
 Change in net assets	 \$ <u>(982,672)</u>

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	2011 Actual
	Budget	Actual	Positive (Negative)	
Revenues:				
Operating Revenues				
Charge for Services				
Water charges	\$ 4,167,000	\$ 4,205,273	\$ 38,273	\$ 4,012,677
Other operating revenues				
Miscellaneous	7,500	9,901	2,401	11,243
Total Operating Revenues	<u>4,174,500</u>	<u>4,215,174</u>	<u>40,674</u>	<u>4,023,920</u>
Nonoperating revenues:				
Interest on investments	3,000	5,978	2,978	7,002
Workers comp. reimbursement	-	1,276	1,276	268
Federal reimbursement - FEMA	5,250	5,250	-	-
Sale of asset	-	139	139	3,493
Total Nonoperating Revenues	<u>8,250</u>	<u>12,643</u>	<u>4,393</u>	<u>10,763</u>
Total Revenues	<u>4,182,750</u>	<u>4,227,817</u>	<u>45,067</u>	<u>4,034,683</u>
Expenditures:				
Regional Water System				
Salaries and employee benefits	503,995	497,835	6,160	455,596
Supplies	480,890	458,725	22,165	406,137
Maintenance	198,960	199,992	(1,032)	111,284
Insurance	36,000	35,767	233	41,183
Utilities	395,710	373,954	21,756	418,082
Administration support	294,910	294,910	-	294,910
Contracted services	355,360	366,836	(11,476)	364,027
Capital outlay noncapital	6,420	6,403	17	963
Other expenses	27,500	24,331	3,169	19,028
Total	<u>2,299,745</u>	<u>2,258,753</u>	<u>40,992</u>	<u>2,111,210</u>
Budgetary Appropriations				
Interest and fees	146,403	146,478	(75)	179,303
Principal	1,059,952	1,059,952	-	1,027,733
Non-departmental	7,000	-	7,000	-
Capital outlay	-	-	-	5,009
Total	<u>1,213,355</u>	<u>1,206,430</u>	<u>6,925</u>	<u>1,212,045</u>
Total Expenditures	<u>3,513,100</u>	<u>3,465,183</u>	<u>47,917</u>	<u>3,323,255</u>

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Other financing sources (uses):				
Transfer (to) other funds	\$ (746,480)	\$ (746,480)	\$ -	\$ (606,264)
Transfer from other funds	<u>76,830</u>	<u>23,078</u>	<u>(53,752)</u>	<u>-</u>
Total	<u>(669,650)</u>	<u>(723,402)</u>	<u>(53,752)</u>	<u>(606,264)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	39,232	39,232	105,164
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 39,232</u>	<u>\$ 39,232</u>	<u>\$ 105,164</u>

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues, Other Sources, and Appropriated Fund	
Balance Over (Under) Expenditures and Other Uses	\$ <u>39,232</u>
Budgetary Appropriations:	
Capital Outlay	\$ -
Principal Payments	1,059,952
Adjustments:	
Change in accrued vacation	(4,627)
Change in inventory	2,739
Change in accrued interest	8,830
Change in accrued OPEB liability	(35,070)
Depreciation	(479,057)
Transfer in from Regional Water System Fund:	
to Capital Reserve - Regional	559,580
Transfer in from Regional Water System Fund	
to RWS Capital Project Fund	150,000
Transfer in from Capital Reserve - Utilities	
to Rate Stabilization Fund	112,800
Transfer in from Sewer Fund	
to Capital Reserve - Utilities	172,800
Transfer in from Water Fund	
to Rate Stabilization Fund	951,139
Transfer in from Water Fund	
to Capital Reserve - Utilities	48,740
Transfer to Water Capital Project Fund	
from Capital Reserve - Utilities	(120,000)
Transfer to Sewer Capital Project Fund	
from Capital Reserve - Utilities	(413,210)
Transfer to Rate Stabilization Fund	
from Capital Reserve - Utilities	(112,800)
Transfer to Regional Water System Fund	
from Capital Reserve - Regional Reserve	(23,000)
Interest income from Capital Reserve - Utilities	1,736
Interest income from Capital Reserve - Regional Reserve	572
Interest income from RWS Capital Project Fund	222
Acreage charges from Capital Reserve - Utilities	<u>24,930</u>
Total reconciling items	\$ <u>1,906,276</u>
Change in net assets	<u>\$ 1,945,508</u>

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Revenues/ Expenditures	Closed		
Revenues:						
Restricted intergovernmental:						
NC DENR Grant	\$ 456,441	\$ 405,023	\$ 38,686	\$ -	\$ 443,709	\$ (12,732)
NC Rural Center Grant	39,050	24,312	14,738	-	39,050	-
Investment Income	-	-	-	-	-	-
Sales Tax Refund	-	-	13,258	-	13,258	13,258
Other	-	-	-	-	-	-
Total Revenues	<u>495,491</u>	<u>429,335</u>	<u>66,682</u>	<u>-</u>	<u>496,017</u>	<u>526</u>
Expenditures:						
Perry Ave Water Line						
Professional Services	-	150	50	(200)	-	-
Engineering	-	6,965	-	(6,965)	-	-
Construction	-	59,578	-	(59,578)	-	-
Brookhaven Village MHP						
Planning / Design	58,888	58,888	-	-	58,888	-
Construction	395,730	395,730	-	-	395,730	-
Legal/Admin	1,823	1,823	-	-	1,823	-
Hydraulics /WA Quality Study						
Legal/Admin	200	200	-	-	200	-
Engineering	126,900	98,982	27,918	-	126,900	-
Harriet St. Water Line						
Resurfacing	16,705	-	16,705	-	16,705	-
Engineering	1,854	1,853	-	-	1,853	1
Construction	113,053	-	113,053	-	113,053	-
Rate Study / CIP Grant						
Contracted Services	54,050	48,736	5,314	-	54,050	-
Red Bud Creek - Line Replacement						
Construction	120,000	-	-	-	-	120,000
Shirley Dr. Water Line Replacement						
Engineering	8,953	-	10,000	-	10,000	(1,047)
Construction	194,959	-	194,959	-	194,959	-
2" Water Line Replacement						
Permit Fees	2,000	-	2,110	-	2,110	(110)
Contingency	5,000	-	-	-	-	5,000
Engineering	32,000	-	28,252	-	28,252	3,748
Total Expenditures	<u>1,132,115</u>	<u>672,905</u>	<u>398,361</u>	<u>(66,743)</u>	<u>1,004,523</u>	<u>127,592</u>
Revenues Over (Under) Expenditures	<u>(636,624)</u>	<u>(243,570)</u>	<u>(331,679)</u>	<u>66,743</u>	<u>(508,506)</u>	<u>128,118</u>

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Total to	Variance
	<u>Current Year</u>			Date		
Project	Revenues/					(Negative)
<u>Authorization</u>	<u>Prior Years</u>	<u>Expenditures</u>	<u>Closed</u>	<u>Date</u>	<u>(Negative)</u>	
Other Financing Sources (Uses):						
Transfers from –						
Capital Reserve	\$ 56,612	\$ 135,162	\$ -	\$ (78,551)	\$ 56,611	\$ (1)
Capital Reserve Utilities	120,000	-	120,000	-	120,000	-
Water Fund	460,429	180,000	280,429	-	460,429	-
Regional Water Fund	39,000	39,000	-	-	39,000	-
Transfers (to) Water Fund	<u>(39,417)</u>	<u>-</u>	<u>(51,225)</u>	<u>11,808</u>	<u>(39,417)</u>	<u>-</u>
Total Other Financing Sources	<u>636,624</u>	<u>354,162</u>	<u>349,204</u>	<u>(66,743)</u>	<u>636,623</u>	<u>(1)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 110,592</u>	<u>\$ 17,525</u>	<u>\$ -</u>	<u>\$ 128,117</u>	<u>\$ 128,117</u>

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Capital Projects
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	Actual					Variance Positive (Negative)
	Project Authorization	Current Year			Total to Date	
Prior Years		Revenues/ Expenditures	Closed			
Revenues:						
Restricted intergovernmental:						
Miscellaneous grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	198,672	198,565	222	-	198,787	115
Sales tax refund	175,300	175,299	-	-	175,299	(1)
Total Revenues	373,972	373,864	222	-	374,086	114
Expenditures:						
20 MGD Expansion						
Engineering	1,088,556	1,059,347	19,241	-	1,078,588	9,968
Planning/design	13,636	13,636	-	-	13,636	-
Contingency	52,750	-	-	-	-	52,750
Legal/Admin	62,622	60,622	50	-	60,672	1,950
KLRW Interbasin Transfer						
Engineering	483,776	437,366	4,271	-	441,637	42,139
Planning/design	119,988	119,988	-	-	119,988	-
Contingency	150,012	-	-	-	-	150,012
Professional services	41,224	30,899	276	-	31,175	10,049
Warren Co. Meter Location						
Legal/Admin	5,000	150	-	-	150	4,850
Construction	95,100	-	-	-	-	95,100
Total Expenditures	2,112,664	1,722,008	23,838	-	1,745,846	366,818
Revenues Over (Under) Expenditures	<u>(1,738,692)</u>	<u>(1,348,144)</u>	<u>(23,616)</u>	<u>-</u>	<u>(1,371,760)</u>	<u>366,932</u>
Other Financing Sources (Uses):						
Transfers from –						
Regional Water Fund	1,171,692	1,021,692	150,000	-	1,171,692	-
Regional (IBT)	525,000	525,000	-	-	525,000	-
Capital Reserve	42,000	42,000	-	-	42,000	-
Total Other Financing Sources	1,738,692	1,588,692	150,000	-	1,738,692	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 240,548</u>	<u>\$ 126,384</u>	<u>\$ -</u>	<u>\$ 366,932</u>	<u>\$ 366,932</u>

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>				Total to Date	Variance Positive (Negative)
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Revenues/ Expenditures</u>	<u>Closed</u>		
Revenues:						
Restricted intergovernmental:						
CWMT Grant	\$ 429,000	\$ 429,000	\$ -	\$ -	\$ 429,000	\$ -
NC Rural Center Grant	500,000	128,577	371,423	-	500,000	-
NC Rural Ctr. - W/S Planning	25,000	-	25,000	-	25,000	-
CWMT Grant UV System	1,067,600	488,005	323,807	-	811,812	(255,788)
NC Rural Center - UV Project	500,000	197,791	191,874	-	389,665	(110,335)
State RFL Grant	500,000	-	-	-	-	(500,000)
NC Rural Center Grant	110,334	-	-	-	-	(110,334)
State Revolving Grant	1,000,000	-	-	-	-	(1,000,000)
Investment Income	920,098	944,273	(7,500)	-	936,773	16,675
Vendor rebate	75,000	-	-	-	-	(75,000)
Other - NC Sales Tax Refund	-	30,762	3,486	-	34,248	34,248
Total Revenues	<u>5,127,032</u>	<u>2,218,408</u>	<u>908,090</u>	<u>-</u>	<u>3,126,498</u>	<u>(2,000,534)</u>
Expenditures:						
Sanitation Sewer Rehab. Project						
Engineering	63,986	63,986	-	-	63,986	-
Construction	844,285	552,912	287,025	-	839,937	4,348
Inspection	161,708	161,708	-	-	161,708	-
Legal/Admin	61,649	56,101	5,347	-	61,448	201
Newton Dairy Pump Project						
Professional Services	1,000	-	-	-	-	1,000
Right-A-Way	21,000	-	-	-	-	21,000
Engineering	25,900	6,399	10,884	-	17,283	8,617
HWRP Improvements						
Legal/Admin	22,000	-	1,705	-	1,705	20,295
Engineering	1,207,610	54,400	693,152	-	747,552	460,058
Construction / Admin	500,000	-	-	-	-	500,000
Closing Fee - Grant / Loan	332,000	-	-	-	-	332,000
Capital Outlay - Reserve	13,575,000	-	-	-	-	13,575,000
Contingency	1,357,500	-	-	-	-	1,357,500
UV Replacement Project						
Contingency	127,500	-	-	-	-	127,500
Legal/Admin	6,000	250	-	-	250	5,750
Engineering	109,100	104,443	-	-	104,443	4,657
UV Project Construction	1,275,000	724,610	303,316	-	1,027,926	247,074
Construction / Admin	150,000	39,597	55,871	-	95,468	54,532

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>					Variance Positive (Negative)
	Project Authorization	Prior Years	Revenues/ Expenditures	Project Closed	Total to Date	
Current Year						
Sanitation Sewer Rehab. Project / State Fund						
Engineering	\$ 171,060	\$ 10,000	\$ 61,552	\$ -	\$ 71,552	\$ 99,508
Asset Management Plan	5,000	-	-	-	-	5,000
Legal/Admin	2,700	-	-	-	-	2,700
Construction	887,229	-	-	-	-	887,229
SRF Closing Fee	20,000	-	-	-	-	20,000
Contingency	44,345	-	-	-	-	44,345
Spring St. Sanitary SW Replc.						
Permit / Legal Fees	150	-	150	-	150	-
Encroachment Expense	5,300	-	5,500	-	5,500	(200)
Engineering	12,450	-	12,435	-	12,435	15
Construction	108,350	-	108,017	-	108,017	333
Sandy Creek Pump Station Imprv.						
Engineering	15,700	-	11,775	-	11,775	3,925
Legal/Admin	500	-	-	-	-	500
W/S Planning Grant						
Engineering	50,000	-	50,000	-	50,000	-
Total Expenditures	<u>21,164,022</u>	<u>1,774,406</u>	<u>1,606,729</u>	<u>-</u>	<u>3,381,135</u>	<u>17,782,887</u>
Revenues Over (Under) Expenditures	<u>(16,036,990)</u>	<u>444,002</u>	<u>(698,639)</u>	<u>-</u>	<u>(254,637)</u>	<u>15,782,353</u>
Other Financing Sources (Uses):						
Loans	1,307,200	1,307,200	-	-	1,307,200	-
Loan discount	-	6,506	-	-	6,506	6,506
State Revolving Loan	15,615,000	-	-	-	-	(15,615,000)
State Revolving Loan	500,000	-	-	-	-	(500,000)
Transfer to Water Fund	(2,227,298)	-	(2,227,298)	-	(2,227,298)	-
Transfers from –						
Sewer Fund	372,978	206,000	166,978	-	372,978	-
Capital Reserve - Utilities	456,610	43,400	413,210	-	456,610	-
Capital Reserve - Reg. Water	12,500	12,500	-	-	12,500	-
Other	-	1,448	-	-	1,448	1,448
Total Other Financing Sources	<u>16,036,990</u>	<u>1,577,054</u>	<u>(1,647,110)</u>	<u>-</u>	<u>(70,056)</u>	<u>(16,107,046)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 2,021,056</u>	<u>\$ (2,345,749)</u>	<u>\$ -</u>	<u>\$ (324,693)</u>	<u>\$ (324,693)</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Utilities Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparative Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Revenues:				
Investment earnings	\$ -	\$ 1,736	\$ 1,736	\$ 879
Acreage charges	16,200	24,930	8,730	1,753
Total	<u>16,200</u>	<u>26,666</u>	<u>10,466</u>	<u>2,632</u>
Other Financing Sources (Uses):				
Transfer from Water Fund	48,740	48,740	-	44,600
Transfer from Sewer Fund	172,800	172,800	-	207,556
Transfer to CIP Sewer Fund	(413,210)	(413,210)	-	(43,400)
Transfer to CIP Water Fund	(120,000)	(120,000)	-	(62,612)
Transfer to Rate Stabilization Fund	(112,800)	(112,800)	-	-
Fund balance appropriated	408,270	-	(408,270)	-
Total	<u>(16,200)</u>	<u>(424,470)</u>	<u>(408,270)</u>	<u>146,144</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>(397,804)</u>	<u>\$ (397,804)</u>	148,776
Fund Balance, Beginning		<u>443,629</u>		<u>294,853</u>
Fund Balance, Ending		<u>\$ 45,825</u>		<u>\$ 443,629</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Fund - Regional COE
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparatives Totals For the Year Ended June 30, 2011

	<u>2012</u>		<u>Variance</u>	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfer from Regional Water	7,500	7,500	-	6,000
Transfer to Regional Water Reserve	(36,378)	(36,377)	1	-
Fund balance appropriated	<u>28,878</u>	<u>-</u>	<u>(28,878)</u>	<u>-</u>
Total	<u>-</u>	<u>(28,877)</u>	<u>(28,877)</u>	<u>6,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>(28,877)</u>	<u>\$ (28,877)</u>	<u>6,000</u>
Fund Balance, Beginning		<u>28,877</u>		<u>22,877</u>
Fund Balance, Ending		<u>\$ -</u>		<u>\$ 28,877</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Fund - Regional 20MGD
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparatives Totals For the Year Ended June 30, 2011

	<u>2012</u>		<u>Variance</u>	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfer from Regional Water	502,080	502,080	-	236,250
Transfer to Regional Water Reserve	(1,386,002)	(1,386,002)	-	-
Fund balance appropriated	<u>883,922</u>	<u>-</u>	<u>(883,922)</u>	<u>-</u>
Total	<u>-</u>	<u>(883,922)</u>	<u>(883,922)</u>	<u>236,250</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>(883,922)</u>	<u>\$ (883,922)</u>	<u>236,250</u>
Fund Balance, Beginning		<u>883,922</u>		<u>647,672</u>
Fund Balance, Ending		<u>\$ -</u>		<u>\$ 883,922</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Fund - Regional
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparatives Totals For the Year Ended June 30, 2011

	<u>2012</u>		<u>Variance</u>	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfer from Regional Water	50,000	50,000	-	50,000
Transfer to Regional Water Reserve	(147,614)	(147,613)	1	(12,500)
Fund balance appropriated	<u>97,614</u>	<u>-</u>	<u>(97,614)</u>	<u>-</u>
Total	<u>-</u>	<u>(97,613)</u>	<u>(97,613)</u>	<u>37,500</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	(97,613)	<u>\$ (97,613)</u>	37,500
Fund Balance, Beginning		<u>97,613</u>		<u>60,113</u>
Fund Balance, Ending		<u>\$ -</u>		<u>\$ 97,613</u>

CITY OF HENDERSON, NORTH CAROLINA
Regional Water Reserve
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparatives Totals For the Year Ended June 30, 2011

	<u>2012</u>		Variance	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	
Revenues:				
Investment earnings	\$ -	\$ 571	\$ 571	\$ -
Expenditures:				
Capital Reserve - Regional	124,614	-	(124,614)	-
Capital Reserve - Regional COE	36,378	-	(36,378)	-
Capital Reserve - Regional 20MGD	<u>1,386,002</u>	-	<u>(1,386,002)</u>	-
Total Expenditures	1,546,994	-	(1,546,994)	-
Revenues Over (Under) Expenditures	<u>(1,546,994)</u>	<u>571</u>	<u>1,547,565</u>	-
Other Financing Sources (Uses):				
Transfer from Capital Reserve - Regional	147,614	147,613	(1)	-
Transfer from Capital Reserve - Regional COE	36,378	36,378	-	-
Transfer from Capital Reserve - Regional 20MGD	1,386,002	1,386,002	-	-
Transfer to Regional Water Reserve	(23,000)	(23,000)	-	-
Fund balance appropriated	-	-	-	-
Total	<u>1,546,994</u>	<u>1,546,993</u>	<u>(1)</u>	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>1,547,564</u>	<u>\$ 1,547,564</u>	-
Fund Balance, Beginning		-		-
Fund Balance, Ending		<u>\$ 1,547,564</u>		<u>\$ -</u>

CITY OF HENDERSON, NORTH CAROLINA
Rate Stabilization Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012
With Comparatives Totals For the Year Ended June 30, 2011

	<u>2012</u>		<u>Variance</u>	<u>2011 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues:				
Investment earnings	\$ 20,061	\$ -	\$ (20,061)	\$ -
Expenditures:				
20MGD Water Plant Expansion	971,200	-	(971,200)	-
HWRP Upgrade Project	112,800	-	(112,800)	-
Total Expenditures	1,084,000	-	(1,084,000)	-
Revenues Over (Under) Expenditures	(1,063,939)	-	1,063,939	-
Other Financing Sources (Uses):				
Transfer from Water Fund	951,139	951,139	-	-
Transfer from Capital Reserve - Utilities	112,800	112,800	-	-
Fund balance appropriated	-	-	-	-
Total	1,063,939	1,063,939	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	1,063,939	\$ 1,063,939	-
Fund Balance, Beginning		-		-
Fund Balance, Ending		\$ 1,063,939		\$ -

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 5,320,777	\$ 4,994,426	\$ 326,351
2010-2011	335,096	-	213,472	121,624
2009-2010	139,053	-	80,605	58,448
2008-2009	115,608	-	38,313	77,295
2007-2008	38,873	-	13,506	25,367
2006-2007	29,750	-	6,536	23,214
2005-2006	25,464	-	5,214	20,250
2004-2005	39,421	-	11,488	27,933
2003-2004	20,158	-	2,456	17,702
2002-2003	17,104	-	1,841	15,263
2001-2002	50,334	-	50,334	-
	<u>\$ 810,861</u>	<u>\$ 5,320,777</u>	<u>\$ 5,418,191</u>	713,447
				Less: allowance for uncollectible accounts: <u>(170,000)</u>
				Ad valorem taxes receivable - net <u>\$ 543,447</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund \$ 5,462,314
				Reconciling items:
				Interest collected (82,061)
				Fees and penalties collected (11,934)
				Taxes written off 529
				Collection costs 457
				Collection of previously written off taxes (527)
				Prior year prepayments (38,169)
				Releases <u>87,582</u>
				Total collections and credits <u>\$ 5,418,191</u>

CITY OF HENDERSON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2012

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 879,352,475	0.585	\$ 5,144,257	\$ 4,870,055	\$ 274,202
Motor vehicle taxed at current year's rate	31,047,371	0.585	181,629	-	181,629
Penalties	-		21,912	21,912	-
Total	<u>910,399,846</u>		<u>5,347,798</u>	<u>4,891,967</u>	<u>455,831</u>
Discoveries:					
Current year taxes	760,445	0.585	4,449	3,638	811
Prior year taxes	2,428,572	0.585	14,207	13,131	1,076
Prior year taxes	1,132,268	0.565	6,397	6,397	-
Prior year taxes	<u>2,811,808</u>	0.670	<u>18,839</u>	<u>18,839</u>	<u>-</u>
Total	<u>7,133,093</u>		<u>43,892</u>	<u>42,005</u>	<u>1,887</u>
Abatements					
Current year taxes	(10,241,948)	0.585	(65,180)	(59,502)	(5,678)
Prior year taxes	<u>(980,020)</u>	0.585	<u>(5,733)</u>	<u>-</u>	<u>(5,733)</u>
	<u>(11,221,968)</u>		<u>(70,913)</u>	<u>(59,502)</u>	<u>(11,411)</u>
Total property valuation	<u>\$ 906,310,971</u>				
Net levy			5,320,777	4,874,470	446,307
Less Uncollected taxes at June 30, 2012			<u>326,351</u>	<u>239,251</u>	<u>87,100</u>
Current year's taxes collected			<u>\$ 4,994,426</u>	<u>\$ 4,635,219</u>	<u>\$ 359,207</u>
Current levy collection percentage			<u>93.87%</u>	<u>95.09%</u>	<u>80.48%</u>

Statistical Section

Table 1

CITY OF HENDERSON, NORTH CAROLINA
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in capital assets, net of related debt	\$ 9,099,920	\$ 14,328,977	\$ 14,686,579	\$ 14,582,291	\$ 12,257,263	\$ 12,719,614	\$ 13,815,383	\$ 14,067,229	\$ 12,717,286	\$ 12,164,082
Restricted	3,326,377	3,185,989	1,772,784	1,899,503	1,893,464	1,981,404	1,670,187	1,244,796	781,456	518,537
Unrestricted (deficit)	(374,053)	(197,470)	1,978,225	2,439,450	4,441,365	2,611,443	2,513,837	2,297,778	2,219,277	3,619,103
Total	<u>\$ 12,052,244</u>	<u>\$ 17,317,496</u>	<u>\$ 18,437,588</u>	<u>\$ 18,921,244</u>	<u>\$ 18,592,092</u>	<u>\$ 17,312,461</u>	<u>\$ 17,999,407</u>	<u>\$ 17,609,803</u>	<u>\$ 15,718,019</u>	<u>\$ 16,301,722</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 54,571,969	\$ 49,450,831	\$ 46,753,174	\$ 45,375,752	\$ 43,605,863	\$ 39,076,311	\$ 43,948,036	\$ 39,883,844	\$ 39,463,964	\$ 36,799,672
Restricted	-	-	-	-	225,065	215,715	238,723	235,148	509,733	2,675,765
Unrestricted (deficit)	15,816,368	9,049,829	8,183,861	7,272,178	7,035,416	9,851,995	3,385,127	4,002,932	3,635,530	4,197,609
Total	<u>\$ 70,388,337</u>	<u>\$ 58,500,660</u>	<u>\$ 54,937,035</u>	<u>\$ 52,647,930</u>	<u>\$ 50,866,344</u>	<u>\$ 49,144,021</u>	<u>\$ 47,571,886</u>	<u>\$ 44,121,924</u>	<u>\$ 43,609,227</u>	<u>\$ 43,673,046</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 63,671,889	\$ 63,779,808	\$ 61,439,753	\$ 59,958,043	\$ 55,863,126	\$ 51,795,925	\$ 57,763,419	\$ 53,951,073	\$ 52,181,250	\$ 48,963,754
Restricted	3,326,377	3,185,989	1,772,784	1,899,503	2,118,529	2,197,119	1,908,910	1,479,944	1,291,189	3,194,302
Unrestricted (deficit)	15,442,315	8,852,359	10,162,086	9,711,628	11,476,781	12,463,438	5,898,964	6,300,710	5,854,807	7,816,712
Total	<u>\$ 82,440,581</u>	<u>\$ 75,818,156</u>	<u>\$ 73,374,623</u>	<u>\$ 71,569,174</u>	<u>\$ 69,458,436</u>	<u>\$ 66,456,482</u>	<u>\$ 65,571,293</u>	<u>\$ 61,731,727</u>	<u>\$ 59,327,246</u>	<u>\$ 59,974,768</u>

Note

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Table 2

CITY OF HENDERSON, NORTH CAROLINA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Expenses										
General government	\$ 2,318,395	\$ 2,566,627	\$ 2,633,778	\$ 909,799	\$ 3,462,318	\$ 3,519,455	\$ 3,012,332	\$ 3,014,699	\$ 2,957,638	\$ 2,963,230
Public safety	6,753,177	6,798,592	7,349,933	6,968,586	5,690,650	5,905,905	5,504,781	5,362,047	5,101,413	4,986,679
Economic and physical dev.	3,556,860	444,922	45,732	498,004	2,079,810	140,137	127,149	122,097	160,636	-
Transportation and utilities	1,402,603	2,034,973	2,001,374	1,936,074	2,130,965	2,409,306	1,994,972	1,733,424	1,866,926	2,178,063
Environmental protection	969,386	900,033	859,341	1,309,976	1,132,792	972,879	960,518	1,000,729	1,040,312	966,250
Cultural and recreational	2,375,739	2,384,515	2,471,824	2,006,921	2,467,644	2,034,274	2,519,676	2,552,649	2,375,373	2,527,801
Human Services	264,413	302,533	267,359	604,768	-	-	-	-	-	-
Interest on Long-Term Debt	209,088	242,768	285,532	283,950	371,805	327,287	406,453	482,669	539,223	630,044
Total	<u>17,849,661</u>	<u>15,674,963</u>	<u>15,914,873</u>	<u>14,518,078</u>	<u>17,335,984</u>	<u>15,309,243</u>	<u>14,525,881</u>	<u>14,268,314</u>	<u>14,041,521</u>	<u>14,252,067</u>
Program Revenues										
Charges for Services										
General government	-	306,870	-	-	2,156,793	2,060,967	-	-	-	-
Public safety	112,740	449,415	470,633	523,420	800	23,237	77,457	79,612	87,983	82,240
Economic and physical dev.	16,115	15,212	15,805	16,810	-	-	-	-	-	-
Transportation and utilities	-	437,339	521,671	572,373	491,781	515,003	449,676	418,441	376,595	378,795
Environmental protection	2,972,890	2,936,451	2,877,402	2,853,864	1,890,034	1,692,524	1,769,362	1,652,132	1,344,424	1,344,694
Cultural and recreational	909,600	904,876	1,025,485	1,135,797	132,923	159,531	144,088	144,616	153,724	172,538
Operating Grants and Contrib.	586,526	718,763	1,687,630	937,300	2,615,917	1,627,177	1,227,398	997,012	912,368	1,234,379
Capital Grants and Contributions	1,385,656	332,582	-	261,250	1,269,099	179,627	695,048	2,441,692	55,589	108,913
Total	<u>5,983,527</u>	<u>6,101,508</u>	<u>6,598,626</u>	<u>6,300,814</u>	<u>8,557,347</u>	<u>6,258,066</u>	<u>4,363,029</u>	<u>5,733,505</u>	<u>2,930,683</u>	<u>3,321,559</u>
Total Governmental Activities										
Net Program Expense	<u>(11,866,134)</u>	<u>(9,573,455)</u>	<u>(9,316,247)</u>	<u>(8,217,264)</u>	<u>(8,778,637)</u>	<u>(9,051,177)</u>	<u>(10,162,852)</u>	<u>(8,534,809)</u>	<u>(11,110,838)</u>	<u>(10,930,508)</u>

Table 2

CITY OF HENDERSON, NORTH CAROLINA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets										
Taxes:										
Property taxes,										
levied for general purpose	\$ 5,376,949	\$ 5,188,448	\$ 5,182,210	\$ 5,236,164	\$ 5,106,455	\$ 4,816,757	\$ 5,059,207	\$ 4,796,547	\$ 4,537,696	\$ 4,578,693
Local option sales tax	2,355,482	2,150,394	2,164,956	2,482,544	2,509,029	2,105,076	2,280,608	2,344,576	2,304,889	1,971,472
Other taxes and licenses	1,302,741	988,795	1,077,211	957,720	1,198,375	1,157,166	871,540	711,164	721,482	838,774
Unrestricted Grants and Contrib.	-	-	-	-	-	-	15,606	14,094	19,092	24,798
Investment earnings, unrestricted	5,974	10,524	10,777	73,336	190,901	166,086	87,432	48,270	13,231	30,950
Sale of capital assets	-	-	-	-	638,280	-	-	-	-	-
Miscellaneous, unrestricted	149,921	204,424	150,800	94,999	130,237	39,218	1,276,304	1,282,593	1,309,726	1,207,452
Transfers	14,697	(89,222)	246,637	(7,660)	(482,577)	79,928	961,309	1,229,799	1,351,585	952,340
Total	<u>9,205,764</u>	<u>8,453,363</u>	<u>8,832,591</u>	<u>8,837,103</u>	<u>9,290,700</u>	<u>8,364,231</u>	<u>10,552,006</u>	<u>10,427,043</u>	<u>10,257,701</u>	<u>9,604,479</u>
Total Governmental Activities										
Change in Net Assets	<u>\$ (2,660,370)</u>	<u>\$ (1,120,092)</u>	<u>\$ (483,656)</u>	<u>\$ 619,839</u>	<u>\$ 512,063</u>	<u>\$ (686,946)</u>	<u>\$ 389,154</u>	<u>\$ 1,892,234</u>	<u>\$ (853,137)</u>	<u>\$ (1,326,029)</u>

Table 2

CITY OF HENDERSON, NORTH CAROLINA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type Activities										
Expenses										
Water, Sewer, and Regional Water System	\$ 12,005,164	\$ 11,623,998	\$ 11,080,440	\$ 11,359,948	\$ 10,824,002	\$ 10,098,559	\$ 8,632,687	\$ 8,287,232	\$ 8,797,390	\$ 8,526,768
Revenues										
Charges for Services	22,957,295	13,541,898	12,911,533	12,513,643	12,262,768	11,375,807	10,446,566	9,390,825	9,493,399	9,385,529
Capital Grants and Contributions	965,529	1,198,775	-	-	-	-	2,174,464	101,006	127,816	155,057
Total	<u>23,922,824</u>	<u>14,740,673</u>	<u>12,911,533</u>	<u>12,513,643</u>	<u>12,262,768</u>	<u>11,375,807</u>	<u>12,621,030</u>	<u>9,491,831</u>	<u>9,621,215</u>	<u>9,540,586</u>
Total Business-type Activities										
Net Program Expenses	11,917,660	3,116,675	1,831,093	1,153,695	1,438,766	1,277,248	3,988,343	1,204,599	823,825	1,013,818
Other Changes in Net Assets										
Miscellaneous, unrestricted	579,747	357,728	704,649	620,231	315,387	294,887	422,928	537,897	463,958	417,489
Transfers	(14,697)	89,222	(246,637)	7,660	-	-	(961,309)	(1,229,799)	(1,351,585)	(945,199)
Total Business-type Activities										
Change in Net Assets	<u>\$ 12,482,710</u>	<u>\$ 3,563,625</u>	<u>\$ 2,289,105</u>	<u>\$ 1,781,586</u>	<u>\$ 1,754,153</u>	<u>\$ 1,572,135</u>	<u>\$ 3,449,962</u>	<u>\$ 512,697</u>	<u>\$ (63,802)</u>	<u>\$ 486,108</u>
Total Primary Government										
Changes in Net Assets	<u>\$ 9,822,340</u>	<u>\$ 2,443,533</u>	<u>\$ 1,805,449</u>	<u>\$ 2,401,425</u>	<u>\$ 2,266,216</u>	<u>\$ 885,189</u>	<u>\$ 3,839,116</u>	<u>\$ 2,404,931</u>	<u>\$ (916,939)</u>	<u>\$ (839,921)</u>

Note

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Table 3

CITY OF HENDERSON, NORTH CAROLINA
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Restricted	\$ 2,510,980	\$ 2,454,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	259,600	175,008	-	-	-	-	-	-	-	-
Unassigned	2,005,613	1,983,708	-	-	-	-	-	-	-	-
Reserved	-	-	2,545,411	2,229,474	2,963,811	2,124,600	2,157,749	2,196,659	1,208,290	1,828,736
Unreserved	-	-	<u>1,952,743</u>	<u>2,073,596</u>	<u>2,243,368</u>	<u>1,232,149</u>	<u>808,870</u>	<u>22,268</u>	<u>464,163</u>	<u>1,332,014</u>
Total General Fund	<u>\$ 4,776,193</u>	<u>\$ 4,613,658</u>	<u>\$ 4,498,154</u>	<u>\$ 4,303,070</u>	<u>\$ 5,207,179</u>	<u>\$ 3,356,749</u>	<u>\$ 2,966,619</u>	<u>\$ 2,218,927</u>	<u>\$ 1,672,453</u>	<u>\$ 3,160,750</u>
All other Governmental Funds										
Nonspendable	\$ 430,965	\$ 430,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	81,606	96,032	-	-	-	-	-	-	-	-
Assigned	302,826	204,805	-	-	-	-	-	-	-	-
Unassigned	-	(27,906)	-	-	-	-	-	-	-	-
Reserved	-	-	430,210	429,610	419,112	407,352	391,548	375,942	361,848	342,756
Unreserved, reported in:										
Capital Projects Funds	-	-	249,212	(31,104)	209,647	185,434	258,752	129,007	148,815	(804,463)
Special Revenue Funds	-	-	<u>58,983</u>	<u>64,607</u>	<u>96,434</u>	<u>125,157</u>	<u>99,827</u>	<u>69,530</u>	<u>95,354</u>	<u>175,781</u>
Total All Other Governmental Funds	<u>\$ 815,397</u>	<u>\$ 703,141</u>	<u>\$ 738,405</u>	<u>\$ 463,113</u>	<u>\$ 725,193</u>	<u>\$ 717,943</u>	<u>\$ 750,127</u>	<u>\$ 574,479</u>	<u>\$ 606,017</u>	<u>\$ (285,926)</u>
Total for All Governmental Funds	<u>\$ 5,591,590</u>	<u>\$ 5,316,799</u>	<u>\$ 5,236,559</u>	<u>\$ 4,766,183</u>	<u>\$ 5,932,372</u>	<u>\$ 4,074,692</u>	<u>\$ 3,716,746</u>	<u>\$ 2,793,406</u>	<u>\$ 2,278,470</u>	<u>\$ 2,874,824</u>

Notes

The City began to report information when it implemented GASB Statement 34 in fiscal year 2003.

With the implementation of GASB Statement 54, the classification of the fund balance changed in 2011.

Table 4

CITY OF HENDERSON, NORTH CAROLINA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Ad valorem taxes	\$ 5,462,314	\$ 5,259,600	\$ 5,297,691	\$ 5,193,534	\$ 5,138,248	\$ 5,055,444	\$ 5,002,610	\$ 4,751,719	\$ 4,558,049	\$ 4,567,890
Other taxes and licenses	404,224	2,496,141	2,328,959	2,482,544	2,654,438	2,251,029	2,429,011	2,344,576	2,304,889	1,971,472
Unrestricted intergovernmental	3,253,999	977,123	942,297	1,000,133	931,360	773,610	724,941	712,996	723,482	841,626
Restricted intergovernmental	1,858,484	1,019,041	1,648,073	507,059	572,888	527,811	557,016	566,308	721,164	1,078,804
Permits and fees	112,740	92,333	101,619	106,870	121,606	239,282	237,976	239,373	221,911	227,069
Sales and services	3,898,605	4,295,878	4,442,363	4,568,346	4,672,331	4,414,221	3,373,200	3,259,435	2,906,706	2,877,742
Investment earnings	5,974	10,524	10,777	70,107	181,623	154,968	109,763	52,879	16,442	34,019
Miscellaneous	153,051	500,645	496,282	492,953	2,173,266	1,012,085	696,676	465,020	287,302	159,332
Total Revenues	<u>15,149,391</u>	<u>14,651,285</u>	<u>15,268,061</u>	<u>14,421,546</u>	<u>16,445,760</u>	<u>14,428,450</u>	<u>13,131,193</u>	<u>12,392,306</u>	<u>11,739,945</u>	<u>11,757,954</u>
Expenditures										
General government	1,433,751	1,366,911	1,374,033	1,686,089	1,702,486	1,580,409	1,640,613	1,706,300	1,713,906	1,754,055
Public safety	5,716,570	5,874,069	6,256,868	6,512,334	5,994,425	5,486,023	5,165,341	5,446,529	5,060,207	4,842,616
Environmental protection	837,848	791,878	674,421	900,958	998,673	974,812	959,435	1,096,460	1,135,812	966,250
Economic and physical dev.	1,358,221	671,490	807,344	57,845	49,365	50,846	86,644	87,050	91,995	93,587
Non-Departmental	463,478	430,086	337,704	42,404	30,019	35,079	35,501	4,878	2,766	12,465
Transportation and Utilities	1,359,123	1,984,752	1,949,725	1,886,579	2,250,585	2,079,036	1,900,408	1,639,158	1,931,594	2,073,299
Cultural and recreational	1,479,137	1,494,213	1,558,605	2,816,159	2,767,056	2,703,844	2,510,555	2,489,159	2,390,098	2,358,298
Planning and community dev.	137,393	132,148	136,608	-	-	-	-	-	-	-
Cemetery	68,995	69,545	125,267	-	-	-	-	-	-	-
Code Compliance	127,020	170,385	130,751	-	-	-	-	-	-	-
Donation to local agencies	732,757	664,791	694,316	-	-	-	-	-	-	-
Debt Service:										
Principal	733,666	764,141	745,148	704,857	794,491	784,413	741,986	623,929	669,230	597,665
Interest	211,659	226,004	285,532	304,665	371,805	355,836	406,453	482,669	506,762	630,044
Total Expenditures	<u>14,659,618</u>	<u>14,640,413</u>	<u>15,076,322</u>	<u>14,911,890</u>	<u>14,958,905</u>	<u>14,050,298</u>	<u>13,446,936</u>	<u>13,576,132</u>	<u>13,502,370</u>	<u>13,328,279</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>489,773</u>	<u>10,872</u>	<u>191,739</u>	<u>(490,344)</u>	<u>1,486,855</u>	<u>378,152</u>	<u>(315,743)</u>	<u>(1,183,826)</u>	<u>(1,762,425)</u>	<u>(1,570,325)</u>

Table 4

CITY OF HENDERSON, NORTH CAROLINA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources (Uses)										
Transfer from other funds	\$ 290,141	\$ 298,423	\$ 460,723	\$ 159,244	\$ 111,995	\$ 192,336	\$ 1,198,626	\$ 1,317,801	\$ 1,469,478	\$ 1,245,031
Transfers to other funds	(273,944)	(327,186)	(182,086)	(355,301)	(634,608)	(260,244)	(135,191)	(140,751)	(1,607,057)	(354,140)
Installment Financing	-	98,131	-	72,979	118,620	79,886	-	553,250	411,707	69,121
Total Other Financing Sources and Uses	16,197	69,368	278,637	(123,078)	(403,993)	11,978	1,063,435	1,730,300	274,128	960,012
Net Change in Fund Balance	\$ 505,970	\$ 80,240	\$ 470,376	\$ (613,422)	\$ 1,082,862	\$ 390,130	\$ 747,692	\$ 546,474	\$ (1,488,297)	\$ (610,313)
Total Expenditures	\$ 14,659,618	\$ 14,640,413	\$ 15,076,322	\$ 14,911,890						
Less: Capital Outlay Expenditures	(1,360,687)	(671,528)	(1,013,764)	(3,738,856)						
Total Noncapital Expenditures	\$ 13,298,931	\$ 13,968,885	\$ 14,062,558	\$ 11,173,034						
Debt Service as a Percentage of Noncapital Expenditures	7.11%	7.09%	7.33%	9.04%	8.45%	8.46%	14.68%	8.23%	9.31%	2.15%

Notes

The City began to report information when it implemented GASB Statement 34 in fiscal year 2003.
In 2012, reclassified local option sales taxes from "Other taxes and licenses" to "Unrestricted intergovernmental".

CITY OF HENDERSON, NORTH CAROLINA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Personal	Elderly	Total Assessed	Total Direct Tax
Ended June 30,	Real Property	Property	Exemption	Value	Rate
2012	\$ 740,509,996	\$ 177,719,279	\$ 11,918,304	\$ 906,310,971	0.5850
2011	733,148,790	157,305,744	9,683,725	880,770,809	0.5850
2010	738,807,561	160,975,155	12,703,860	887,078,856	0.5850
2009	740,398,927	172,187,141	12,634,810	899,951,258	0.5650
2008	603,721,711	166,083,642	10,098,965	759,706,388	0.6700
2007	611,183,592	160,631,445	10,563,949	761,251,088	0.6700
2006	592,080,970	164,082,831	10,326,441	745,837,360	0.6700
2005	600,933,500	148,716,224	9,019,600	740,630,124	0.6700
2004	592,581,160	159,600,644	9,235,575	742,946,229	0.6400
2003	571,700,670	178,389,185	9,291,970	740,797,885	0.6100

CITY OF HENDERSON, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Government
Per \$100 of Assessed Value
Last Ten Fiscal Years

Fiscal Year	City of		
Ended June 30,	Henderson	Vance County	Total
2012	\$ 0.5850	\$ 0.7820	\$ 1.3670
2011	0.5850	0.7820	1.3670
2010	0.5850	0.7820	1.3670
2009	0.5650	0.7980	1.3630
2008	0.6700	0.9200	1.5900
2007	0.6700	0.9200	1.5900
2006	0.6700	0.9200	1.5900
2005	0.6700	0.9200	1.5900
2004	0.6400	0.9000	1.5400
2003	0.6100	0.9000	1.5100

Note

Assessed valuations are established by the Board of County Commissions of Vance County at 100 percent of estimated market value. A revaluation is required by the North Carolina General Statutes at least every eight years.

Fiscal Year	Components of the Total Direct Rate		
	General Fund	Public Library Fund	Total Direct Rate
Ended June 30,			
2012	\$ 0.5850	\$ -	\$ 0.5850
2011	0.5850	-	0.5850
2010	0.5850	-	0.5850
2009	0.5250	0.0400	0.5650
2008	0.6300	0.0400	0.6700
2007	0.6300	0.0400	0.6700
2006	0.6300	0.0400	0.6700
2005	0.6300	0.0400	0.6700
2004	0.6000	0.0400	0.6400
2003	0.5700	0.0400	0.6100

CITY OF HENDERSON, NORTH CAROLINA
Principal Property Taxpayers
Current Year

<u>Taxpayer</u>	2012 Assessed	
	<u>Valuation</u>	<u>Taxes</u>
Progress Energy Carolinas	\$ 15,788,397	\$ 92,362
Carolina Telephone	15,513,115	90,752
Wal-Mart Real Estate Bus. Trust	14,320,861	83,777
Pacific Coast Feather Co.	10,285,870	60,172
WW Properties & Rentals LLC	10,183,331	59,572
Libby Henderson Enterprises	8,266,996	48,362
Rosemyr Corporation	7,466,613	43,680
Ruin Creek Properties	5,983,692	35,005
Henderson Country Club, Inc.	5,970,062	34,925
Lowe's of Henderson	5,881,533	34,407
Crawford Properties LLC	5,674,578	33,196
Henderson Fields LLC	4,247,709	24,849
Variety Wholesalers, Inc.	4,071,570	23,819
MDJ Partnership LLC	4,065,607	23,784
Mundra Hotels of Henderson, Inc.	<u>3,934,897</u>	<u>23,019</u>
	<u>\$ 121,654,831</u>	<u>\$ 711,681</u>

CITY OF HENDERSON, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year				Current Year	Percentage of
Ended June 30,	Tax Year	Net Levy		Collections	Levy
2012	2011	\$ 5,320,777	\$	4,994,426	93.87%
2011	2010	5,152,510		4,817,414	93.50%
2010	2009	5,165,463		4,792,999	92.79%
2009	2008	5,165,139		4,759,265	92.14%
2008	2007	5,093,720		4,749,230	93.24%
2007	2006	5,038,901		4,743,873	94.14%
2006	2005	4,988,550		4,677,076	93.76%
2005	2004	4,731,173		4,407,893	93.17%
2004	2003	4,531,972		4,183,506	92.31%
2003	2002	4,504,712		4,140,778	91.92%

Table 9

CITY OF HENDERSON, NORTH CAROLINA
Ratio of Outstanding Debt by Type
Last Nine Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities		Business-type Activities			Total Primary Government	City Population Estimated*	Debt Per Capita
	Capital Leases	Notes Payable	Revenue Bonds	Capital Leases	Notes Payable			
2012	\$ 158,410	\$ 3,573,064	\$ 7,294,000	\$ 120,346	\$ 4,852,745	\$ 15,998,565	15,330	\$ 1,044
2011	245,060	4,220,080	10,005,000	215,829	6,513,336	21,199,305	15,368	1,379
2010	296,804	4,834,347	10,770,000	321,115	8,143,693	24,365,959	15,777	1,544
2009	437,685	5,438,614	11,500,000	461,896	9,743,507	27,581,702	15,850	1,740
2008	-	6,216,142	-	-	23,909,909	30,126,051	15,897	1,895
2007	-	6,896,540	-	-	26,217,243	33,113,783	15,951	2,076
2006	-	6,857,665	-	-	28,498,581	35,356,246	15,906	2,223
2005	-	8,333,053	-	-	30,589,665	38,922,718	15,999	2,433
2004	-	8,403,732	-	-	32,320,557	40,724,289	16,098	2,530

Notes

Details regarding the City's debt can be found in the notes to the financial statements.
 The City began to collect this data in 2004.

* Source: U.S. Census Bureau

CITY OF HENDERSON, NORTH CAROLINA
Ratio of General Obligation Bonded Debt
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>General</u>	<u>Percentage of</u>	
<u>Ended June 30,</u>	<u>Obligation Debt</u>	<u>Actual Taxable</u>	
		<u>Value of</u>	<u>Debt Per Capita</u>
		<u>Property</u>	
2012	\$ -	0.000%	\$ -
2011	-	0.000%	-
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-
2007	-	0.000%	-
2006	-	0.000%	-
2005	-	0.000%	-
2004	-	0.000%	-

Notes

Details regarding the City's debt can be found in the notes to the financial statements.
 The City began to collect this data in 2004.

CITY OF HENDERSON, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
June 30, 2012

Fiscal Year	Net General	Percentage	Amount
Ended June 30,	Obligation	Applicable to	Applicable to
Bonded Debt	Vance County	Vance County	Vance County
2012	\$ -	0.000%	\$ -
2011	-	0.000%	-
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-
2007	-	0.000%	-
2006	-	0.000%	-
2005	-	92.000%	-
2004	-	90.000%	-
2003	-	90.000%	-
2002	-	90.000%	-
2001	-	84.000%	-

CITY OF HENDERSON, NORTH CAROLINA
Computation of Legal Debt Margin
Last Nine Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value \$906,310,971

Debt Limit - Eight Percent (8%) of Assessed Value 72,504,878

Amount of Debt Applicable to Debt Limit

Lease financing agreements \$ 3,731,474

Revolving Loan -

Total Debt \$ 3,731,474

Less - Statutory Deductions - 3,731,474

Legal Debt Margin \$ 68,773,404

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit	\$ 72,504,878	\$ 70,461,665	\$ 70,966,308	\$ 71,996,101	\$ 60,776,511	\$ 60,900,087	\$ 59,666,989	\$ 59,250,410	\$ 59,435,698
Total Net Debt Applicable to Limit	<u>(3,731,474)</u>	<u>(4,465,140)</u>	<u>(4,465,140)</u>	<u>(5,876,299)</u>	<u>(6,216,142)</u>	<u>(6,896,540)</u>	<u>(6,857,665)</u>	<u>(8,333,053)</u>	<u>(8,403,732)</u>
Legal Debt Margin	<u>\$ 68,773,404</u>	<u>\$ 65,996,525</u>	<u>\$ 66,501,168</u>	<u>\$ 66,119,802</u>	<u>\$ 54,560,369</u>	<u>\$ 54,003,547</u>	<u>\$ 52,809,324</u>	<u>\$ 50,917,357</u>	<u>\$ 51,031,966</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.15%	6.34%	6.29%	8.16%	10.23%	11.32%	11.49%	14.06%	14.14%

Notes

The City began to collect this data in 2004.

CITY OF HENDERSON, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population Estimated¹	(Vance County)			Total Labor Force[*]	Public School Enrollment^{**} (ADM)
		Per Capita Income²	Unemployment Rate[*]			
2012	15,330	N/A	14.10%	19,665	7,003	
2011	15,368	\$29,621	13.50%	19,372	6,868	
2010	15,777	\$28,785	12.30%	19,371	7,109	
2009	15,850	\$30,236	14.40%	20,459	7,380	
2008	15,897	\$29,373	8.40%	19,962	7,764	
2007	15,951	\$26,730	7.30%	18,538	7,900	
2006	15,906	\$25,033	7.60%	18,496	8,170	
2005	15,999	\$23,887	9.10%	19,052	8,300	
2004	16,098	\$22,607	13.20%	18,580	8,260	
2003	16,257	\$21,549	12.90%	18,608	8,614	

¹-Source: U.S. Census Bureau

²-Source: Bureau of Economic Analysis - U.S. Department of Commerce

* Source: Employment Security Commission - Micropolitan Statistical Area

** Source: The North Carolina Department of Public Instruction

(N/A) Information Not Available

ADM = Average Daily Membership

CITY OF HENDERSON, NORTH CAROLINA
Ten Largest Employers
Current Year

Employer	Estimate of employees	% of Total Labor Force
Vance County Board of Education	1,200	6.1%
Variety Stores, Inc.	782	4.0%
Maria Parham Medical Center	750	3.8%
Pacific-Coast Feather Co.	623	3.2%
Walmart Distribution Center	460	2.3%
P & G Pet Care	300	1.5%
Veralia North America	275	1.4%
City of Henderson	250	1.3%
M. R. Williams, Inc.	225	1.1%
Philips Optimum Lighting	110	0.6%

*Source: Vance County Economic Development Commission

CITY OF HENDERSON, NORTH CAROLINA
Number of Government Employees
Last Seven Fiscal Years

	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>
General government	20	22	22	20	20	21	18
Public safety	102	99	102	102	101	105	95
Transportation and utilities	19	17	17	16	20	20	20
Environmental protection	31	29	28	22	18	8	5
Cultural and recreation	17	16	14	15	15	15	15
Code compliance	2	3	3	3	2	2	2
Planning and community development	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>
	195	189	189	180	178	173	158
Water Fund							
Engineering	5	4	4	3	3	3	3
Water distribution	<u>14</u>	<u>15</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>15</u>
	19	19	18	16	16	18	18
Sewer Fund							
Water reclamation facility	23	21	21	21	21	21	21
Sewer Collection	7	7	6	6	5	5	5
Sewer Collection I&I	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
	30	28	30	30	29	29	29
Regional Water System Fund							
	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>11</u>	<u>11</u>
	<u>256</u>	<u>247</u>	<u>248</u>	<u>237</u>	<u>233</u>	<u>231</u>	<u>216</u>

The City began to collect this data in 2006

Compliance Section



William L. Stark and Company
Certified Public Accountants

**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***

To the City Council
City of Henderson, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Henderson, North Carolina as of and for the year ended June 30, 2012, which collectively comprises the City of Henderson's basic financial statements, and have issued our report thereon dated January 10, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Henderson is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Henderson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Henderson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Henderson's financial statements are free of 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Henderson in a separate letter date January 10, 2013.

The City of Henderson's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Henderson's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William L. Stark and Company

Henderson, North Carolina
January 10, 2013



William L. Stark and Company
Certified Public Accountants

**Report on Compliance With Requirements Applicable to
Each Major Federal Program and Internal Control
Over Compliance In Accordance With
OMB Circular A-133 and the State Single Audit Implementation Act**

To the City Council
City of Henderson, North Carolina

Compliance

We have audited the City of Henderson, North Carolina, with the types of compliance requirements described in the OMB *Circular A-133 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 of Henderson's major federal program for the year ended June 30, 2012. The City of Henderson's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City of Henderson's management. Our responsibility is to express an opinion on City of Henderson's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 of Henderson'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. Our audit does not provide a legal determination on the City of Henderson's compliance with those requirements.

In our opinion, City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of City of Henderson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal

programs. In planning and performing our audit, we considered the City of Henderson's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William L. Stark and Company

Henderson, North Carolina
January 10, 2013

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(s) identified that are not considered to be material weakness? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weakness? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.878	Hope VI Phase II - Affordable Housing Development in Main Street Rejuvenation Projects
14.000	Beacon Light Goodwill Baxter Apartments demolition

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II. Financial Statement Findings

MATERIAL WEAKNESSES

Finding 2012-01

Criteria: Management is responsible for establishing and maintaining effective internal control to ensure that accounts receivable balances are presented and disclosed fairly and at appropriate amounts.

Condition: Over a period of approximately five to six years, the estimation of allowances for uncollectible water, sewer, and sanitation billings was not prepared in accordance with internal policies. Accounts deemed uncollectible were not written off as bad debt in accordance with internal policies.

Effect: Accounts receivable balances associated with water and sewer revenues in the Water and Sewer Enterprise Funds and sanitation revenues in the General fund, net of allowance for uncollectible accounts, were materially overstated.

Cause: Absence of effective internal controls over the calculation and presentation of accounts receivable.

Recommendation: The reasonableness of accounts receivable for water, sewer, and sanitation billings should be reviewed in a timely manner by an appropriate level of City management, in accordance with the City's internal control policies. Allowances for uncollectible accounts receivable should be reviewed and adjusted accordingly. Accounts deemed uncollectible should be written off as bad debt in accordance with internal policies.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

Finding 2012-02

Criteria: Management is responsible for establishing and maintaining effective internal control to ensure that balances of fixed assets are presented and disclosed fairly and at appropriate amounts.

Condition: Balances of land and construction in progress reported on the City's financial statements did not reconcile to the underlying accounting records.

Effect: Over a period of several fiscal years, the balances of land and construction in progress reported on the City's government-wide and propriety fund financial statements were incorrectly stated. Land reported in Governmental Activities was materially overstated, primarily as a result of land improvements for the library being capitalized after the land was transferred to the Embassy Foundation. Construction in progress reported in Governmental Activities was materially understated. Construction in progress in the Regional Water System Fund was materially understated.

Cause: Absence of effective internal controls to ensure that balances of land and construction in progress were presented and disclosed fairly and at appropriate amounts.

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Recommendation: Internal controls should be established to ensure that balances of fixed assets are presented and disclosed fairly and at appropriate amounts, and that such balances reconcile to underlying accounting records.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

SIGNIFICANT DEFICIENCY

Finding 2012-03

Criteria: G.S. 159-8(a) states all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The City expended more than appropriated in the budget ordinance for donations to local agencies and non-departmental in the general fund.

Effect: Moneys were spent that had not been appropriated.

Cause: The City expended funds that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget ordinance prior to expending the funds.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

Section V. Summary of Prior Year Audit Findings

Finding 2010-01 and 2011-01 (Bank Reconciliation – Prepared in timely manner)

Status: The City has corrected this finding.

Finding 2010-02 and 2011-02 (Expenditures in Excess of Appropriations)

Status: The City has not corrected this finding. See finding 2012-03 for details.

CITY OF HENDERSON, NORTH CAROLINA
Corrective Action Plan
For the Fiscal Year Ended June 30, 2012

Section II. Financial Statement Findings

Finding 2012-01

Name of contact person: Katherine Brafford, Finance Director

Corrective Action: Accounts deemed uncollectible in prior periods have been treated as retrospective error corrections, as described in note III.E to the current year financial statements. Current year allowances for doubtful accounts have been considered in accordance with internal policies. Management plans to review accounts receivable for water, sewer, and sanitation billings in a timely manner and to adjust allowances for uncollectible accounts in accordance with internal policies.

Proposed Completion Date: Immediately.

Finding 2012-02

Name of contact person: Katherine Brafford, Finance Director

Corrective Action: Prior period adjustments have been recorded as described in note III.E. to the current year financial statements. Management plans to establish internal controls to ensure that balances of fixed assets, construction in progress, and completed construction projects presented on the financial statements agree to underlying accounting records.

Proposed Completion Date: Immediately.

Finding 2012-03

Name of contact person: Katherine Brafford, Finance Director

Corrective Action: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Proposed Completion Date: Immediately.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Direct Program:				
The Weed and Seed Program	16.595		\$ 55,450	\$ -
Bureau of Justice Assistance				
Passed through N.C. Dept. of Crime Control and Public Safety:				
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0182	24,215	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2333	29,438	-
Bryne Justice Assistance Grants	16.738	PROJ007905	9,973	-
<u>U.S. Department of Transportation</u>				
Passed through N.C. Dept. of Transportation:				
Governor's Highway Safety Program	20.600		7,470	-
<u>U.S. Department of Housing and Urban Development –</u>				
Passed through N.C. Dept. of Commerce:				
HOPE VI Phase I	14.878	NC19URD27536M07	3,030	-
HOPE VI Phase II	14.878	NC19URD27536M08	838,523	-
Beacon Light Goodwill Baxter Apartments Demolition	14.000		399,900	-
<u>U.S. Department of Energy</u>				
Passed through N.C. Department of Commerce:				
State Energy Program - Round II Energy	81.041		27,665	-
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
Federal Emergency Management Agency	97.036	FEMA - 4019-DR-NC	39,289	-
Total Federal Awards			<u>1,434,953</u>	<u>-</u>

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	\$ -	\$ 390,273
Total State Awards			<u>-</u>	<u>390,273</u>
Total Federal and State Awards			<u>\$ 1,434,953</u>	<u>\$ 390,273</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Henderson, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in. or used in the preparation of the basic financial statements.