

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF HENDERSON
HENDERSON, NORTH CAROLINA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by the City of Henderson Finance Department

Finance Director
Katherine Brafford

CITY OF HENDERSON, NORTH CAROLINA
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Introductory Section



4 December 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Henderson, for the fiscal year ended June 30, 2013. State law requires that all general-purpose governments annually publish a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. The City's framework of internal controls has been designed to provide reasonable assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by William L. Stark and Company, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013, are free of material misstatement. The independent auditor concluded, based upon their audit, that the City's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read

in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

Situated in North Carolina's rural north-central piedmont and approximately 35 miles north of the Raleigh-Durham metropolitan area, Henderson's elevation is 509 msl and is in proximity to Kerr Lake and the Virginia state line. It is located within the Roanoke River and Tar River basins.

Henderson was founded in 1811 and incorporated in 1841. It became the Vance County seat of government when the county was formed in 1844. It has utilized the Council-Manager form of government since 1966. The Mayor and Council members are elected for four-year staggered terms. The Mayor is elected at-large while four Council members are elected by Ward vote only and the other four are elected at-large but Ward residency is required.

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.

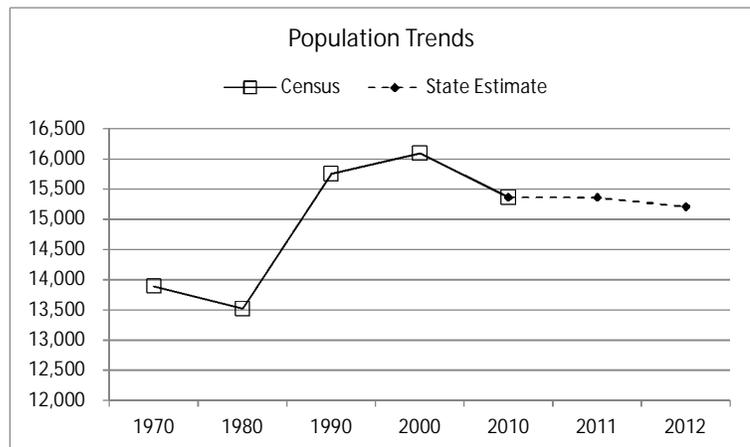
The City Council also appoints the City Attorney and City Clerk. The City Attorney serves at the pleasure of the Council and provides legal advice and guidance to the Council, prepares ordinances and defends the City as appropriate should litigation arise. The City Clerk serves as the official *Keeper 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 encompasses approximately 10 square miles and is bisected by Interstate 85 and US Route 1. It is the first incorporated area one enters when traveling south along Interstate 85. Its primary economic base of textiles and agriculture no longer exist. The ensuing loss of jobs and continuing effects of the Great Recession of 2008-current have served to reduce the city’s population and increase the poverty rates. The adjoining table describes the long-term population trend.



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 including economic development, E-911 emergency services, parks and recreation, tax billing and collections, 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.

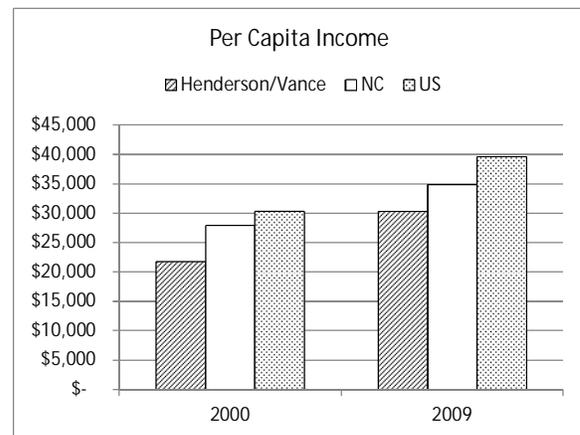
Economic Conditions and Outlook

The City is home to nearly 1,000 businesses, including approximately 15 manufacturers, 240 retailers, 250 service businesses and 8 distribution facilities. Six major banks and several credit unions are also located within the area. Major manufacturing products include home furnishings, glass, pet food, 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.

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 development and regional marketing 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. Semprius, a manufacturer of solar panels, is the newest addition to Triangle North.

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.

Despite continued improvement in the sales tax collections and location of new businesses and industry, the City’s per capita income continues to lag both the state and national averages. Efforts continue to be made in improve per capita income and overall economic well-being of the city by many organizations including City of Henderson, Henderson/Vance Economic Development Commission, Embassy Cultural Foundation, Henderson/Vance Downtown Development Commission, Redevelopment Commission, and Henderson/Vance Chamber of Commerce.



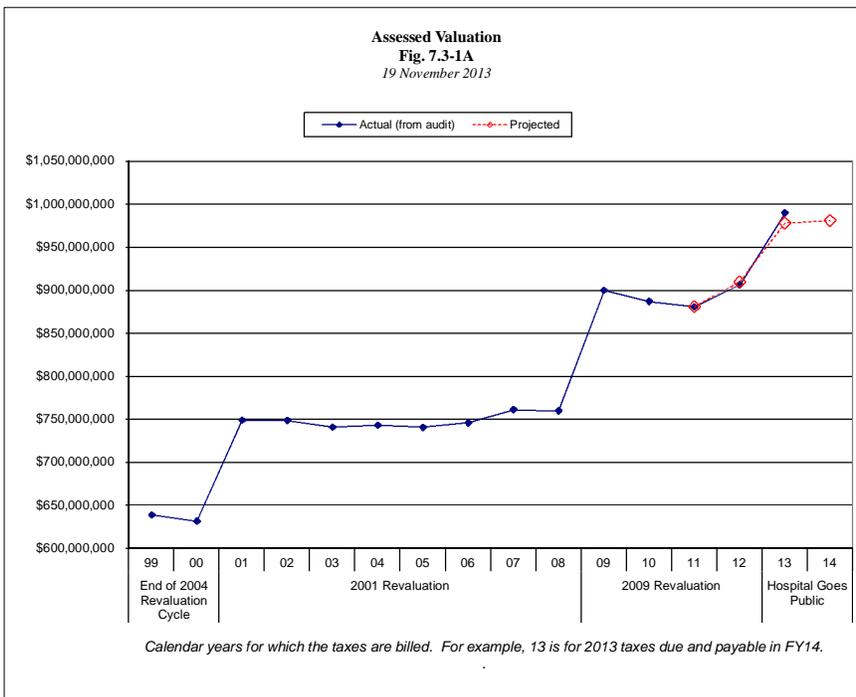
The Embassy Cultural Foundation will break ground in December 2013 for the next phase of the Embassy Square project. This phase will provide for a 1,000 seat performing arts center and is being funded through private funds. Additionally, Henderson is actively pursuing a rail passenger station. The Southeast 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.

In order to prepare for the future, the City is engaged with two major infrastructure projects. The first evolves around the total renovation and upgrading of the wastewater treatment facility. This is an \$18.5M project and is currently under construction. Once completed, the plant’s operating costs should be reduced by approximately \$500,000 per year and provide for state-of-the art waste water treatment services for business, industry and residential uses. Additionally, plans are in process to double the size of the Kerr Lake Regional Water Treatment Facility from 10MGD to 20MGD. Once the State permit for Inter-Basin Transfer of water has been received, the City will proceed to the bidding phase of the project. It is anticipated this project will begin

construction in late 2015 and will assure adequate potable water for the future for business, industry and residential uses.

Efforts previously noted, as well as Maria Parham Medical Center ‘going public’ in 2012, has resulted in an \$83M increase in the assessed value of the City. An assessed valuation trend analysis provided in the adjoining graph reveals the assessed tax base is just under \$1B. The next octennial reevaluation of the city occurs in 2016.



Revenues for the fiscal year ending 30 June 2013 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 pre-Recession 2008 levels.

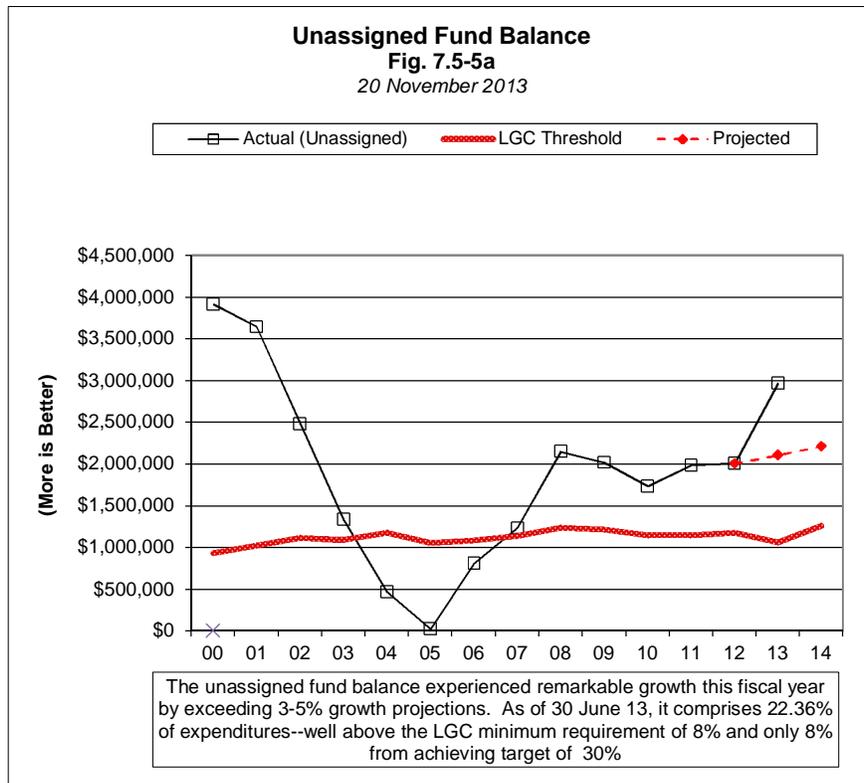
Long-Term Financial Planning

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 unassigned general fund balance and has been aggressive in its 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.

In order to achieve these major projects with minimal impact on the operating budgets, City Council approved long-term debt reduction and debt management plans for the Water, Sewer and

Regional Water Funds. These plans provide valuable guidance in managing both operating and capital budgets and ensures funding will be present for these major projects.

The governing body’s goal is to restore its unassigned 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. There was good growth in the unassigned this past year, with the year ending balance increasing to \$2,966,287, or 22.36% of General Fund expenditures.



Major Initiatives

The City’s fiscal year ending June 30, 2013 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 to \$2,996,287.
- i Award of contracts for \$18.5M sewer plant renovation project.
- i No increase in the water and regional water user rates.
- i Significant contributions made to water and sanitary sewer rate stabilization funds.

For the Future

The FY13-14 Annual Operating and Capital Budget was approved by City Council on 27 June 2013. The FY14 Budget, inclusive of all funds, is \$34,863,300. The new budget increased the property tax by 3.5 cents, the sanitation fee by \$2.00 and a small increase in the sanitary sewer rate. The FY13-14 operating budget is constrained due to the effects of the on-going Recession; however, it funds the continuation of current operational costs 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 2012 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
 Marcus Barrow

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

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

Special Projects
(vacant)

Mayor and Members of City Council

James D. O'Geary
Mayor

Members of City Council

Vernon V. Brown
Sara M. Coffey
Garry D. Daeke
George M. Daye

Michael C. Inscoc
Brenda G. Peace-Jenkins
James C. Kearney, Sr.
D. Michael Rainey, *Mayor Pro-Tempore*

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 AUDITOR'S REPORT

To the Henderson City Council
City of Henderson, North Carolina

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise City of Henderson's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 basic financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 4 through 13 and 56 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Henderson's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying schedule of expenditures of federal and State awards 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary

schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the City of Henderson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Henderson's internal control over financial reporting and compliance.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 4, 2013



City of Henderson Management's Discussion and Analysis

As management of the City of Henderson, we offer readers of the City of Henderson's financial statements this narrative overview and analysis of the financial activities of the City of Henderson for the fiscal year ended June 30, 2013. 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 and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$94,575,578 (*net position*).
- i The government's total net position increased by \$12,134,997, primarily due to increases in the business-type activities net position and the City being granted ownership of the H. Leslie Perry Memorial Library by the Embassy Foundation. The library transaction increased the City's net position by \$6,512,524.
- i As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$5,821,792 with a net change of \$230,202 in fund balance. Approximately 43.70 percent of this total amount, or \$2,544,337, is non spendable or restricted.
- i At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,966,287 or 22.36 percent of total general fund expenditures for the fiscal year.
- i The City of Henderson's total recorded debt decreased by \$830,125 (5.2%) during the current fiscal year. However, the City has several capital projects underway in its enterprise funds which involve the issuance of new debt, in the form of revolving loan agreements, for which the draw-down phase has not yet been completed and repayment of the loans has not yet begun. These loans total \$21,563,928 at zero interest and \$1,000,000 at two percent interest. These loans are for a variety of projects, primarily for improvements at the City's Water Reclamation Facility.

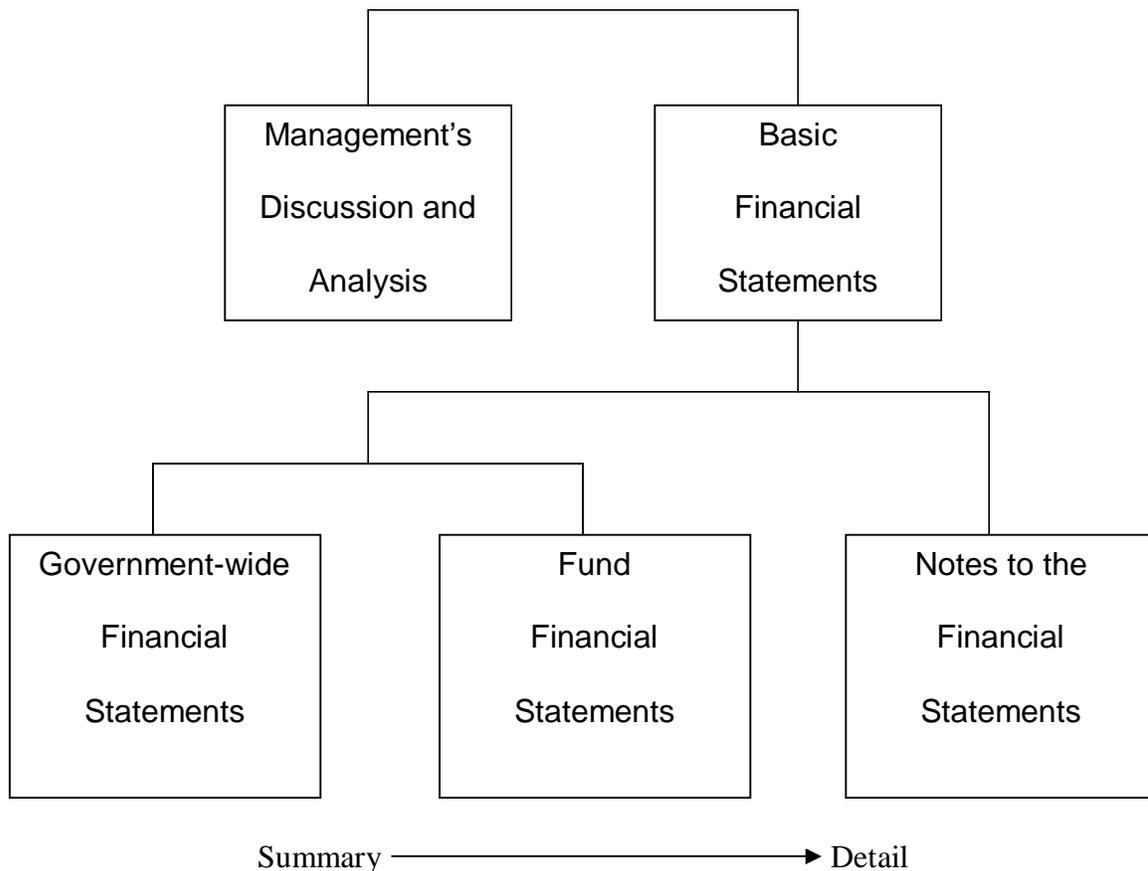
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **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 position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into 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. These include the water and sewer services offered by the City of Henderson.

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

Fund Financial Statements

The fund financial statements (see Figure 1) 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 or the City's budget ordinance. All of the funds of 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis
City of Henderson

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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. The notes to the financial statements begin on page 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Henderson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

**City of Henderson's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,273,491	\$ 6,899,242	\$ 22,399,346	\$ 17,452,630	\$ 29,672,837	\$ 24,351,872
Capital assets	18,873,348	12,831,394	68,605,854	66,839,060	87,479,202	79,670,454
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	26,146,839	19,730,636	91,005,200	84,291,690	117,152,039	104,022,326
Long-term liabilities outstanding	6,563,094	7,014,693	13,323,036	13,362,405	19,886,130	20,377,098
Other liabilities	700,872	663,699	1,968,023	540,948	2,668,895	1,204,647
Deferred inflows of resources	21,436	-	-	-	21,436	-
Total liabilities and deferred inflows of resources	7,285,402	7,678,392	15,291,059	13,903,353	22,576,461	21,581,745
Net position:						
Net investment in capital assets	15,855,575	9,099,920	56,461,187	54,571,969	72,316,762	63,671,889
Restricted	2,544,337	3,326,377	-	-	2,544,337	3,326,377
Unrestricted	461,525	(374,053)	19,252,954	15,816,368	19,714,479	15,442,315
Total net position	\$ 18,861,437	\$ 12,052,244	\$ 75,714,141	\$ 70,388,337	\$ 94,575,578	\$ 82,440,581

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Henderson exceeded liabilities and deferred inflows by \$94,575,578 as of June 30, 2013. The City's net position increased by \$12,134,997 from the fiscal year ended June 30, 2012. However, the largest portion (76.46%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Henderson's net position, \$2,544,337, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$19,714,479 is unrestricted.

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

- i Achieving a tax collection percentage of 93.59%, which is slightly below the prior year's percentage of 93.87%.

City of Henderson’s Changes in Net Position
Figure 3
(Certain prior year items reclassified for comparability)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,801,697	\$ 4,011,345	\$ 16,324,276	\$ 13,957,295	\$ 19,125,973	\$ 17,968,640
Water reservation fee	-	-	-	9,000,000	-	\$ 9,000,000
Operating grants and contributions	478,832	586,526	-	-	478,832	586,526
Capital grants and contributions	6,687,820	1,385,656	308,044	965,529	6,995,864	2,351,185
General revenues:						
Property taxes	5,835,556	5,376,949	-	-	5,835,556	5,376,949
Other taxes	186,542	404,224	-	-	186,542	404,224
Grants and contributions not restricted to specific programs	3,292,048	3,253,999	-	-	3,292,048	3,253,999
Other	168,408	155,895	314,866	579,747	483,274	735,642
Total revenues	19,450,903	15,174,594	16,947,186	24,502,571	36,398,089	39,677,165
Expenses:						
General government	1,722,160	2,238,209	-	-	1,722,160	2,238,209
Public safety	6,543,946	6,753,177	-	-	6,543,946	6,753,177
Planning and community development	362,099	3,821,273	-	-	362,099	3,821,273
Transportation and other	1,451,033	1,525,762	-	-	1,451,033	1,525,762
Environmental protection	830,317	900,391	-	-	830,317	900,391
Recreation and parks	1,497,013	1,418,212	-	-	1,497,013	1,418,212
Local agencies and shared programs	957,131	983,549	-	-	957,131	983,549
Interest on long-term debt	170,211	209,088	-	-	170,211	209,088
Water	-	-	4,787,266	5,378,050	4,787,266	5,378,050
Sewer	-	-	3,296,455	3,714,698	3,296,455	3,714,698
Regional Water System	-	-	2,645,461	2,912,416	2,645,461	2,912,416
Total expenses	13,533,910	17,849,661	10,729,182	12,005,164	23,305,961	29,854,825
Increase (decrease) in net position before transfers	5,916,993	(2,675,067)	6,218,004	12,497,407	13,092,128	9,822,340
Transfers	892,200	14,697	(892,200)	(14,697)	-	-
Increase (decrease) in net position	6,809,193	(2,660,370)	5,325,804	12,482,710	12,134,997	9,822,340
Net position, July 1	12,052,244	14,712,614	70,388,337	57,905,627	82,440,581	72,618,241
Net position, June 30	\$ 18,861,437	\$ 12,052,244	\$ 75,714,141	\$ 70,388,337	\$ 94,575,578	\$ 82,440,581

Governmental activities. Governmental activities increased the City’s net position by \$6,809,193, thereby accounting for 56.11% of the total growth in the net position of the City of Henderson. Key elements of this increase are as follows:

- i The Embassy Cultural Center Foundation deeded the H. Leslie Perry Memorial Library back to the City. This was part of an agreement whereby the library would revert to the City’s ownership once it had been affirmed that all debt and encumbrances had been satisfied. The value of the contributed property in this transaction was \$6,512,524.

- i Tax revenues remained steady.

Business-type activities. Business-type activities increased the City of Henderson's net position by \$5,325,804, accounting for 43.89% of the total growth in the government's net position. Key elements of this increase are as follows:

- i The City recognized a change in net position in the Proprietary Funds due to both rate increases and cost-saving measures taken to reduce operating costs in the Water, Sewer and Regional Water Funds and grant revenues being used to construct and/or improve capital assets.

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.

The general fund is the chief operating fund of the City of Henderson. At the end of the current fiscal year, City of Henderson's fund balance available in the General Fund was \$4,050,444, while total fund balance reached \$5,092,940. The City utilizes a more conservative measure for fund balance than actually required by the Local Government Commission (LGC). The City only considers unassigned funds as the basis for determining its percentage of fund balance to prior year expenditures. As of June 30, 2013 the unassigned fund balance is 22.36% of prior year expenditures. Per the calculation used by the LGC, the City's fund balance is 30.54% of prior year expenditures. The fund balance policy established by the City Council in 2006 has a long-term action item to grow the unassigned fund balance to 30% of prior year expenditures.

At June 30, 2013, the governmental funds of City of Henderson reported a combined fund balance of \$5,821,792 with a net increase in fund balance of \$230,202. Included in this change in fund balance are increases in fund balance in the General Fund and a slight net decrease in the fund balances of Capital Projects 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.

Revenues were slightly less than the budgeted amounts by \$25,643. Expenditures were held in check to comply with the City's budgetary requirements.

Proprietary Funds. The City of Henderson’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund amounted to \$13,513,064 at the end of the fiscal year; the Sewer Fund amounted to (\$646,906); and the Regional Water System Fund amounted to \$4,477,735. The total change in net position from current year activity for the Water, Sewer and Regional Water System Funds was \$3,368,898, \$633,123, and \$1,323,783, respectively.

Capital Asset and Debt Administration

Capital assets. The City of Henderson’s investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$87,479,202 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- i Construction in progress for General Fund capital assets of \$213,219.
- i Increase in buildings for governmental type activities of \$6,661,088, primarily due to the H. Leslie Perry Memorial Library being deeded to the City.
- i Construction in progress and equipment acquisitions for Water Fund capital assets of \$372,349
- i Construction in progress and equipment acquisitions for Sewer Fund capital assets of \$2,847,119
- i Construction in progress for regional water fund capital assets of \$25,823.

City of Henderson’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,515,183	\$ 657,746	\$ 2,077,368	\$ 2,077,368	\$ 3,592,551	\$ 2,735,114
Buildings and system Improvements other than buildings	15,929,383	9,525,801	17,400,355	16,728,757	33,329,738	26,254,558
Distribution Systems	627,359	628,234	-	-	627,359	628,234
Equipment & Vehicles	-	-	42,918,227	41,476,571	42,918,227	41,476,571
Construction in progress	492,219	856,161	542,420	424,860	1,034,639	1,281,021
	309,204	1,163,452	5,667,484	6,131,504	5,976,688	7,294,956
Total	\$ 18,873,348	\$ 12,831,394	\$ 68,605,854	\$ 66,839,060	\$ 87,479,202	\$ 79,670,454

Additional information on the City’s capital assets can be found in Note II.A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013, the City of Henderson had total debt outstanding of \$15,162,440, comprised of installment loans, capital leases and revenue bonds that were refunded with private placement debt.

**Notes Payable and Capital Leases
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Installment Loans	\$ 2,926,048	\$ 3,573,064	\$ 5,357,064	\$ 4,852,745	\$ 8,283,112	\$ 8,425,809
Capital Leases	91,725	158,410	328,603	120,346	420,328	278,756
Revenue bonds (private placement)	-	-	6,459,000	7,294,000	6,459,000	7,294,000
Total	\$ 3,017,773	\$ 3,731,474	\$ 12,144,667	\$ 12,267,091	\$ 15,162,440	\$ 15,998,565

City of Henderson’s Outstanding Debt

The City of Henderson’s total recorded debt decreased by \$830,125 (5.2%) during the past fiscal year, primarily due to regular payments on capital leases, installment loans and its refunded revenue. However, the City has several capital projects underway in its enterprise funds which involve the issuance of new debt, in the form of revolving loan agreements, for which the draw-down phase has not yet been completed and repayment of the loans has not yet begun. These loans total \$21,563,928 at zero interest and \$1,000,000 at two percent interest. These loans encompass a variety of projects, the largest of which involves much needed improvements at the City’s Water Reclamation Facility, which has a total project budget of \$18,218,360.

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 City of Henderson. The City of Henderson is one of the few municipalities 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 statutes 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 City of Henderson is \$76,173,935.

Additional information regarding the City of Henderson’s long-term debt can be found in the notes to the financial statements (see Note II.B.6, Long Term Obligations).

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the current economic condition of the City.

- i The City's population declined in the 2010 Decennial Census and there is minimal growth expected in the utility customer base. This leaves few financial resources available for needed operations and capital support, thus the dependence on rate and fee increases.
- i The City's unemployment rate of approximately 12.8 %, down approximately 2.2% from the previous year.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property tax revenue is the single largest source of revenue for the General Fund. Minimal to no growth is expected in the tax base. The City Council approved a 3.5 cent tax increase which, based on the prior year's collection rate, should generate an additional \$292,000 in tax revenue. The City will use this increase in revenue to finance programs currently in place.

Sales taxes are the second largest revenue producer for the City's General fund and are budgeted to increase a modest 2% over the prior year.

The third largest revenue producer for the City's General Fund is the sanitation fee. The City Council approved an increase of \$2.00 to the sanitation fee, which is expected to generate an additional \$120,000. This increase will be used to both support the sanitation services budget and to help support general services.

Budgeted expenditures in the General Fund are strained from many years of reduced allocations resulting in insufficient funding for capital outlay and equipment, adequate staffing levels and program expansion in many needed areas. There are no major new initiatives in the operations and very limited capital expenditures for the General Fund during FY 2014.

Business-type Activities: The sewer rates in the City will increase by 1%, primarily to help cover increased debt due to a major treatment plant renovation and modernization which is currently underway. There were no increases to water rates or Regional Water System rates budgeted for FY 2014.

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, 134 Rose Avenue, Henderson, NC 27536. One can also call (252)-430-5700 or visit our website at www.ci.henderson.nc.us for more information.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,082,659	\$ 8,953,140	\$ 14,035,799
Property taxes receivable, net	616,026	-	616,026
Accrued interest receivable on taxes	124,986	-	124,986
Accounts receivable, net	363,211	3,298,491	3,661,702
Due from other governments	683,484	-	683,484
Inventories	-	72,556	72,556
Current portion of notes receivable	-	904,909	904,909
Restricted cash and cash equivalents	403,125	1,126,826	1,529,951
Total current assets	7,273,491	14,355,922	21,629,413
Non-current assets			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,824,387	7,744,854	9,569,241
Other capital assets, net of depreciation	17,048,961	60,861,000	77,909,961
Total capital assets	18,873,348	68,605,854	87,479,202
Notes receivable:			
Due in more than one year	-	8,043,424	8,043,424
Total non-current assets	18,873,348	76,649,278	95,522,626
Total assets	26,146,839	91,005,200	117,152,039
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	689,251	1,735,442	2,424,693
Accrued interest payable	11,621	58,431	70,052
Current portion of long-term liabilities	860,715	2,012,505	2,873,220
Payable from restricted assets	-	174,150	174,150
Total current liabilities	1,561,587	3,980,528	5,542,115
Long-term liabilities			
Due in more than one year	5,702,379	11,310,531	17,012,910
Total liabilities	7,263,966	15,291,059	22,555,025
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	21,436	-	21,436
NET POSITION			
Net investment in capital assets	15,855,575	56,461,187	72,316,762
Restricted			
Perpetual maintenance	430,970	-	430,970
Stabilization by State Statute	1,042,496	-	1,042,496
Public Safety	663,547	-	663,547
Streets - Powell Bill	298,045	-	298,045
Planning and Community Development	34,799	-	34,799
Capital Reserves	74,480	-	74,480
Unrestricted	461,525	19,252,954	19,714,479
Total net position	\$ 18,861,437	\$ 75,714,141	\$ 94,575,578

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 1,722,160	\$ -	\$ -	\$ -	\$ (1,722,160)	\$ -	\$ (1,722,160)
Public safety	6,543,946	105,783	2,500	23,519	(6,412,144)	-	(6,412,144)
Planning and community development	362,099	13,705	-	151,777	(196,617)	-	(196,617)
Public services							
Transportation and other	1,451,033	8,250	461,560	6,512,524	5,531,301	-	5,531,301
Environmental protection	830,317	1,737,036	-	-	906,719	-	906,719
Recreation and parks	1,497,013	936,923	14,772	-	(545,318)	-	(545,318)
Local agencies and shared programs	957,131	-	-	-	(957,131)	-	(957,131)
Interest on long-term debt	170,211	-	-	-	(170,211)	-	(170,211)
Total governmental activities	13,533,910	2,801,697	478,832	6,687,820	(3,565,561)	-	(3,565,561)
Business-type Activities:							
Water	4,787,266	7,582,152	-	-	-	2,794,886	2,794,886
Sewer	3,296,455	4,457,586	-	308,044	-	1,469,175	1,469,175
Regional Water System	2,645,461	4,284,538	-	-	-	1,639,077	1,639,077
Total business-type activities	10,729,182	16,324,276	-	308,044	-	5,903,138	5,903,138
Total primary government	\$ 24,263,092	\$ 19,125,973	\$ 478,832	\$ 6,995,864	(3,565,561)	5,903,138	2,337,577
General Revenues							
Taxes:							
Property taxes, levied for general purposes					5,835,556	-	5,835,556
Other taxes					186,542	-	186,542
Grants and contributions not restricted to specific programs					3,292,048	-	3,292,048
Unrestricted investment earnings					5,259	12,132	17,391
Miscellaneous					163,149	302,734	465,883
Total general revenues not including transfers					9,482,554	314,866	9,797,420
Transfers					892,200	(892,200)	-
Total general revenues and transfers					10,374,754	(577,334)	9,797,420
Change in net position					6,809,193	5,325,804	12,134,997
Net position, beginning					12,052,244	70,388,337	82,440,581
Net position, ending					\$ 18,861,437	\$ 75,714,141	\$ 94,575,578

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

CITY OF HENDERSON, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,493,062	\$ 589,597	\$ 5,082,659
Restricted cash and cash equivalents	267,610	135,515	403,125
Property tax receivable, net	616,026	-	616,026
Accounts receivable, net	359,012	4,199	363,211
Due from other governments	683,484	-	683,484
Total assets	<u>\$ 6,419,194</u>	<u>\$ 729,311</u>	<u>\$ 7,148,505</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 688,792	\$ 459	\$ 689,251
Total liabilities	<u>688,792</u>	<u>459</u>	<u>689,251</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	616,026	-	616,026
Prepaid taxes	21,436	-	21,436
Total deferred inflows of resources	<u>637,462</u>	<u>-</u>	<u>637,462</u>
FUND BALANCES			
Non Spendable			
Perpetual maintenance	-	430,970	430,970
Restricted			
Stabilization by State Statute	1,042,496	-	1,042,496
Public Safety	663,547	-	663,547
Streets - Powell Bill	267,610	30,435	298,045
Planning and Community Development	-	34,799	34,799
Capital reserves	-	74,480	74,480
Assigned			
Capital project funds	-	158,168	158,168
Subsequent year's expenditures	153,000	-	153,000
Unassigned	2,966,287	-	2,966,287
Total fund balances	<u>5,092,940</u>	<u>728,852</u>	<u>5,821,792</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,419,194</u>	<u>\$ 729,311</u>	<u>\$ 7,148,505</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, 2013

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

Total Fund Balance, Governmental Funds	\$	5,821,792
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	41,364,689
Accumulated depreciation		<u>(22,491,341)</u>
		18,873,348
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest on taxes receivable		124,986
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		616,026
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt		(3,017,773)
Compensated absences		(435,889)
Net pension obligation		(261,594)
Other postemployment benefits		<u>(2,847,838)</u>
		(6,563,094)
Other long term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		<u>(11,621)</u>
Net position of governmental funds	\$	<u>18,861,437</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, 2013

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 5,752,690	\$ -	\$ 5,752,690
Other taxes and licenses	186,542	-	186,542
Unrestricted intergovernmental	3,292,048	-	3,292,048
Restricted intergovernmental	464,060	173,096	637,156
Permits and fees	105,783	-	105,783
Sales and services	2,695,914	-	2,695,914
Investment earnings	5,024	235	5,259
Miscellaneous	177,921	2,200	180,121
Total revenues	<u>12,679,982</u>	<u>175,531</u>	<u>12,855,513</u>
EXPENDITURES			
Current:			
General government	1,181,189	-	1,181,189
Public safety	5,920,178	29,098	5,949,276
Planning and community development	334,523	116,763	451,286
Public services			
Transportation and other	1,432,838	107,908	1,540,746
Environmental protection	794,968	-	794,968
Recreation and parks	1,349,608	-	1,349,608
Non-departmental			
Local agencies and shared programs	957,131	-	957,131
General non-departmental	402,230	-	402,230
Debt service:			
Principal	647,016	-	647,016
Interest and other charges	172,782	-	172,782
Lease purchases	71,280	-	71,280
Total expenditures	<u>13,263,743</u>	<u>253,769</u>	<u>13,517,512</u>
Excess (deficiency) of revenues over expenditures	<u>(583,761)</u>	<u>(78,238)</u>	<u>(661,999)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	914,707	14,199	928,906
Transfers (to) other funds	(14,199)	(22,506)	(36,705)
Total other financing sources (uses)	<u>900,508</u>	<u>(8,307)</u>	<u>892,201</u>
Net change in fund balance	316,747	(86,545)	230,202
FUND BALANCES, beginning	<u>4,776,193</u>	<u>815,397</u>	<u>5,591,590</u>
FUND BALANCES, ending	<u>\$ 5,092,940</u>	<u>\$ 728,852</u>	<u>\$ 5,821,792</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, 2013

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

Net changes in fund balances - total governmental funds \$ 230,202

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Contribution of capital assets	6,512,524	
Capital outlay expenditures which were capitalized	248,376	
Close-out of non-capitalized projects	(4,447)	
Depreciation expense for governmental assets	<u>(714,498)</u>	6,041,955

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

Change in unavailable revenue for tax revenues	72,579	
Change in accrued interest on taxes receivable	<u>10,287</u>	82,866

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 position. This amount is the net effect of these difference in the treatment of long-term debt and related items.

Principal payments on long-term debt	713,700	
Change in accrued interest payable	<u>2,571</u>	716,271

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	(5,434)	
Net pension obligation	(12,479)	
Other postemployment benefits	<u>(244,188)</u>	<u>(262,101)</u>

Total adjustments		<u>6,578,991</u>
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Total changes in net position of governmental activities		<u>\$ 6,809,193</u>
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CITY OF HENDERSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2013

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 5,736,200	\$ 5,736,200	\$ 5,752,690	\$ 16,490
Other taxes and licenses	331,000	331,000	186,542	(144,458)
Unrestricted intergovernmental	3,267,800	3,267,800	3,292,048	24,248
Restricted intergovernmental	457,900	460,400	464,060	3,660
Permits and fees	95,000	95,000	105,783	10,783
Sales and services	2,719,500	2,727,855	2,695,914	(31,941)
Investment earnings	5,100	5,100	5,024	(76)
Miscellaneous	39,000	82,270	177,921	95,651
Total revenues	<u>12,651,500</u>	<u>12,705,625</u>	<u>12,679,982</u>	<u>(25,643)</u>
EXPENDITURES				
Current:				
General government	1,257,000	1,283,192	1,181,189	102,003
Public safety	6,217,500	6,174,201	5,920,178	254,023
Planning and community development	395,300	423,560	334,523	89,037
Public services				
Transportation and other	1,644,700	1,656,550	1,432,838	223,712
Environmental protection	908,600	851,700	794,968	56,732
Recreation and parks	1,389,200	1,432,265	1,349,608	82,657
Non-departmental				
Local agencies and shared programs	951,000	973,650	957,131	16,519
General non-departmental	383,500	474,475	402,230	72,245
Debt service:				
Principal	-	647,100	647,016	84
Interest and other charges	-	173,200	172,782	418
Lease purchases	71,700	71,700	71,280	420
Total expenditures	<u>13,218,500</u>	<u>14,161,593</u>	<u>13,263,743</u>	<u>897,850</u>
Excess (deficiency) of revenues over expenditures	<u>(567,000)</u>	<u>(1,455,968)</u>	<u>(583,761)</u>	<u>872,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	72,900	915,525	914,707	(818)
Transfers (to) other funds	(10,000)	(14,199)	(14,199)	-
Total other financing sources (uses)	<u>62,900</u>	<u>901,326</u>	<u>900,508</u>	<u>(818)</u>
Excess (deficiency) of revenues and other sources over expenditures	(504,100)	(554,642)	316,747	871,389
Fund balance appropriated	504,100	554,642	-	(554,642)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	316,747	<u>\$ 316,747</u>
FUND BALANCES, beginning			<u>4,776,193</u>	
FUND BALANCES, ending			<u>\$ 5,092,940</u>	

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Regional Water System Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,550,934	\$ 399,933	\$ 4,002,273	\$ 8,953,140
Accounts receivable (net)	837,261	2,322,180	139,050	3,298,491
Inventories	-	13,319	59,237	72,556
Current portion of notes receivable	904,909	-	-	904,909
Restricted cash and cash equivalents	<u>324,267</u>	<u>150,000</u>	<u>652,559</u>	<u>1,126,826</u>
Total current assets	6,617,371	2,885,432	4,853,119	14,355,922
Non-current assets				
Capital assets				
Land, non-depreciable assets, and construction in progress	2,008,316	3,809,196	1,927,342	7,744,854
Other capital assets, net of depreciation	<u>16,657,416</u>	<u>24,385,030</u>	<u>19,818,554</u>	<u>60,861,000</u>
Total capital assets	18,665,732	28,194,226	21,745,896	68,605,854
Notes receivable				
Due in more than one year	<u>8,043,424</u>	-	-	<u>8,043,424</u>
Total non-current assets	<u>26,709,156</u>	<u>28,194,226</u>	<u>21,745,896</u>	<u>76,649,278</u>
Total assets	<u>33,326,527</u>	<u>31,079,658</u>	<u>26,599,015</u>	<u>91,005,200</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	385,140	1,272,383	77,919	1,735,442
Accrued interest payable	26,232	4,740	27,459	58,431
Current portion of long-term liabilities	969,998	395,482	647,025	2,012,505
Liabilities payable from restricted assets				
Customer/security deposits	<u>174,150</u>	-	-	<u>174,150</u>
Total current liabilities	1,555,520	1,672,605	752,403	3,980,528
Long-term liabilities				
Other postemployment benefits	284,365	549,130	248,803	1,082,298
Compensated absences payable	18,539	4,604	3,559	26,702
Due in more than one year	<u>6,078,748</u>	<u>2,257,662</u>	<u>1,865,121</u>	<u>10,201,531</u>
Total long-term liabilities	6,381,652	2,811,396	2,117,483	11,310,531
Total liabilities	<u>7,937,172</u>	<u>4,484,001</u>	<u>2,869,886</u>	<u>15,291,059</u>
NET POSITION				
Net investment in capital assets	11,635,729	25,574,064	19,251,394	56,461,187
Unrestricted	<u>13,753,626</u>	<u>1,021,593</u>	<u>4,477,735</u>	<u>19,252,954</u>
Total net position	<u>\$ 25,389,355</u>	<u>\$ 26,595,657</u>	<u>\$ 23,729,129</u>	<u>\$ 75,714,141</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 Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Regional Water System Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 5,644,624	\$ 4,441,895	\$ 4,278,652	\$ 14,365,171
Water reservation fees	1,750,000	-	-	1,750,000
Tap fees	34,044	4,188	-	38,232
Tap fees - water reservation	140,000	-	-	140,000
Other operating revenues	13,484	11,503	5,886	30,873
Total operating revenues	<u>7,582,152</u>	<u>4,457,586</u>	<u>4,284,538</u>	<u>16,324,276</u>
OPERATING EXPENSES				
Administration and engineering	222,545	-	-	222,545
Public services administration	20,929	-	-	20,929
Water distribution operations	3,522,501	-	-	3,522,501
Customer service	437,609	-	-	437,609
Water reclamation facility	-	2,047,927	-	2,047,927
Sewer collection operations	-	318,031	-	318,031
Sewer I & I operations	-	143,462	-	143,462
Regional water plant	-	-	2,031,083	2,031,083
Non-departmental	33,535	38,598	29,822	101,955
Depreciation	361,072	707,498	482,601	1,551,171
Total operating expenditures	<u>4,598,191</u>	<u>3,255,516</u>	<u>2,543,506</u>	<u>10,397,213</u>
Operating income (loss)	<u>2,983,961</u>	<u>1,202,070</u>	<u>1,741,032</u>	<u>5,927,063</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	5,086	2,197	4,848	12,131
Interest on water reservation notes	100,611	-	-	100,611
Sprint / T-Mobile agreements	51,212	-	-	51,212
Vance County	-	150,055	-	150,055
Gain (loss) from sale of assets	-	-	857	857
Interest and other charges	(189,076)	(40,939)	(101,954)	(331,969)
Total other financing sources (uses)	<u>(32,167)</u>	<u>111,313</u>	<u>(96,249)</u>	<u>(17,103)</u>
Income (loss) before contributions and transfers	2,951,794	1,313,383	1,644,783	5,909,960
Capital contributions	-	308,044	-	308,044
Transfers from other funds	681,504	-	-	681,504
Transfers (to) other funds	(264,400)	(988,304)	(321,000)	(1,573,704)
Change in net position	<u>3,368,898</u>	<u>633,123</u>	<u>1,323,783</u>	<u>5,325,804</u>
Total net position, beginning	21,069,318	25,803,909	23,515,110	70,388,337
Prior period adjustment (Note III.E)	951,139	158,625	(1,109,764)	-
Total net position, as restated	<u>22,020,457</u>	<u>25,962,534</u>	<u>22,405,346</u>	<u>70,388,337</u>
Total net position, ending	<u>\$ 25,389,355</u>	<u>\$ 26,595,657</u>	<u>\$ 23,729,129</u>	<u>\$ 75,714,141</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 Year Ended June 30, 2013

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Regional Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,732,270	\$ 4,463,461	\$ 4,356,212	\$ 15,551,943
Cash paid for goods and services	(3,510,828)	(1,679,798)	(1,633,908)	(6,824,534)
Cash paid to or on behalf of employees for services	(667,233)	(838,943)	(446,871)	(1,953,047)
Net cash provided (used) by operating activities	2,554,209	1,944,720	2,275,433	6,774,362
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sprint / T-Mobile agreements	51,212	-	-	51,212
Interest on water reservation notes	100,611	-	-	100,611
Vance County	-	150,055	-	150,055
Transfers from other funds	681,504	-	-	681,504
Transfers to other funds	(264,400)	(988,304)	(321,000)	(1,573,704)
Net cash provided (used) by noncapital financing activities	568,927	(838,249)	(321,000)	(590,322)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition/construction of capital assets	(128,637)	(1,714,728)	(100,119)	(1,943,484)
Capital contributions	-	124,239	-	124,239
Financing proceeds not yet expended	40,045	89,231	-	129,276
Principal paid on bond and equipment contracts	(877,098)	(347,447)	(1,101,944)	(2,326,489)
Interest paid on bond and equipment contracts	(192,583)	(42,964)	(111,136)	(346,683)
Interfund balances	-	238,723	-	238,723
Proceeds from sale of assets	-	-	857	857
Net cash provided (used) by capital and related financing activities	(1,158,273)	(1,652,946)	(1,312,342)	(4,123,561)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	5,086	2,197	4,848	12,131
Net cash provided (used) by investing activities	5,086	2,197	4,848	12,131
Net increase (decrease) in cash and cash equivalents	1,969,949	(544,278)	646,939	(2,038,820)
Balances, beginning	1,954,113	935,586	5,117,657	8,007,356
Prior period adjustment (Note III.E)	951,139	158,625	(1,109,764)	-
Balance, beginning as restated	2,905,252	1,094,211	4,007,893	8,007,356
Balances, ending	<u>\$ 4,875,201</u>	<u>\$ 549,933</u>	<u>\$ 4,654,832</u>	<u>\$ 10,079,966</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 Year Ended June 30, 2013

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Regional Water System Fund	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,983,961	\$ 1,202,070	\$ 1,741,032	\$ 5,927,063
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	361,072	707,498	482,601	1,551,171
Release of prior year capital project costs for non-capitalized items	54,050	50,000	-	104,050
Changes in assets and liabilities:				-
(Increase) decrease in-				
Accounts receivable	16,556	5,875	71,674	94,105
Notes receivable - Water Reservation	(899,472)	-	-	(899,472)
Due from other funds	128,341	-	22	128,363
Inventory	-	(1,608)	(30,751)	(32,359)
Increase (decrease) in-				
Accounts payable and accrued liabilities	111,213	94,009	3,714	208,936
Due to other funds	(265,335)	(153,040)	(5,214)	(423,589)
Customer/security deposits	33,034	-	-	33,034
Accrued OPEB liability	28,471	35,818	19,076	83,365
Accrued vacation pay	2,318	4,098	(6,721)	(305)
Total adjustments	<u>(429,752)</u>	<u>742,650</u>	<u>534,401</u>	<u>847,299</u>
Net cash provided by operating activities	<u>\$ 2,554,209</u>	<u>\$ 1,944,720</u>	<u>\$ 2,275,433</u>	<u>\$ 6,774,362</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt-financed acquisition/construction of capital assets	\$ 104,955	\$ 173,758	\$ -	\$ 278,713
(Increase) decrease in capital project accounts receivable	(257,609)	(1,722,268)	-	(1,979,877)
Increase (decrease) in capital project construction expenses payable	251,830	958,633	(10,646)	1,199,817

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>115,080</u>
Total assets	\$ <u><u>115,080</u></u>
 NET POSITION	
Held in trust for Employees' pension benefits	\$ <u>115,080</u>
Total Net Position	\$ <u><u>115,080</u></u>

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Changes in Net Position
Fiduciary Fund
June 30, 2013

	Pension Trust Fund
ADDITIONS	
Investment earnings	\$ <u>50</u>
Total additions	<u>50</u>
Change in net position held in trust for:	
Employees' pension benefits	50
Net position, beginning	<u>115,030</u>
Net position, ending	<u>\$ 115,080</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, 2013

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.

Component Unit

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

B. Basis of Presentation

Government-wide Statements: The statement of net position 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 non-major 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 those in which each party receives and gives up essentially equal values. Non-operating 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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:

Special Revenue Funds – Grant Project Funds: BJA 2011, Carey Chapel Crossing Project, Grants Fund. These funds are used to account for grant funds that are restricted for use for a particular purpose.

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

Capital Projects Funds: General Fund, Powell Bill. These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities for the General Fund and internally consolidated Powell Bill fund.

Permanent Fund: Elmwood Cemetery. This fund is used to account for revenues collected from the sale of cemetery lots. This 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.

The City reports the following fund type:

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.

C. 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating 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 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 position 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

D. 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 Enterprise Funds. All annual appropriations lapse at the fiscal-year end. The appropriations are adopted at the departmental level for the General Fund and Enterprise Funds. 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. The City Manager shall be authorized to re-allocate departmental appropriations among the various objects of expenditures within any budget department as he deems appropriate and necessary. Additionally, he shall be authorized to re-allocate departmental appropriations among other departments within the same fund via an intra-fund transfer as he deems appropriate and necessary. Notation of such appropriations shall be made to the City Council on the next financial report. All intra-fund transfers must also be approved in advance by the Finance Director. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 unexpended 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

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2013

before any services are supplied are restricted to the service for which the deposit was collected. Money in the Capital Reserve - General and Capital Reserve - Economic Development funds is classified as restricted assets because its use is restricted to the reserve funds per NC G.S. Chapter 159, Article 3, Part 2. Additionally, money received in grant and capital project funds that is restricted by revenue source for use only on specific projects is classified as restricted assets.

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, 2012.

5. Allowances 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.

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2013

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
Water/Sewer distribution system	75
Vehicles	5
Furniture and equipment	10
Computer equipment	3

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

10. 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 liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

11. Compensated Absences

The vacation policies of the City provide for the accumulation of up to forty 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.

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2013

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.

The City's policies regarding compensatory time award and utilization are articulated in Resolution 13—63. Compensatory time is awarded to FLSA non-exempt employees pursuant to FLSA regulations. Employees may not accrue more than forty hours compensatory time without the express permission of the City Manager. Department directors are responsible for scheduling employees to utilize compensatory time as quickly as possible after it has been earned.

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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 for maintenance of 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 Planning and Community Development – portion of fund balance that is restricted by grantors for the completion of specific grant projects pertaining to Planning and Community Development. This amount represents the balance of total unexpended grant funding.

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For the Fiscal Year Ended June 30, 2013

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.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Henderson’s governing body. Any changes or removal of specific purpose requires majority action by the governing body.

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 Special Revenue funds – portion of fund balance that has been budgeted by the Board for specific purposes.

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.

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. 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

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2013

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 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, 2013, the City's deposits had a carrying amount of \$5,303,262 and a bank balance of \$5,366,452. Of the bank balance, \$875,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the City had petty cash of \$2,140.

2. Investments

At June 30, 2013, the City had \$10,375,430 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no formal policy regarding credit risk, but has internal management procedures mandating compliance with the governance of G. S. 159-30 (b) and (c) which lists the types of investments permitted to local governments and public authorities.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013, are net of the following allowances for doubtful accounts:

General Fund:	
Property taxes receivable	\$ 170,000
Accounts receivable	<u>295,789</u>
Total	<u>465,789</u>
Water Fund:	
Accounts receivable	<u>197,071</u>
Sewer Fund:	
Accounts receivable	<u>214,485</u>

4. Notes Receivable – Water Reservation Agreements

The City has a note receivable from Granville County for a 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 was received on March 1, 2012 and the balance is financed over 9 years with periodic payments that are due and payable to the City on the first day of March of each calendar year. Granville County 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 provided Granville County agrees to pay, or finish paying a minimum principal amount of \$5,000,000 in accordance with specified tiers.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

<u>Water Reservation Tier</u>	<u>Minimum Principle</u>
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

The City is party to a water sales agreement with Vance County for Phase 1A, effective August 22, 2011. Under the terms of this agreement, the County has agreed to pay an annual fee of \$9,125 to the City to obtain reservation of 150,000 gpd for the County Water District Phase 1A. This agreement has an effective period of forty (40) years, with payments due on or before July 31st of each year that the agreement is in effect. In accordance with the agreement, the City waived the payments due on June 30, 2011 and 2012. The City considers revenues from this agreement as earned when received.

The City is party to a water sales agreement with Vance County for Phases 2A and 2B, effective August 2, 2012. The City has a note receivable from Vance County for a water allocation reservation fee for these phases. In order to obtain reservation of up to 175,000 gpd for the County Water District Phases 2A and 2B, Vance County will pay to the City a water allocation reservation fee of \$1,175,000 financed by the City over a period not to exceed forty (40) years without interest. Equal annual periodic payments of \$43,750 are due and payable to the City on the thirty-first day of July each calendar year, commencing July 31, 2013, provided, however, that the last annual payment shall be due to the City on March 31, 2052. Vance County may pre-pay the water allocation fee in whole or in part at any time without penalty.

The City's notes receivable at June 30, 2013 total as follows:

Water Fund:

Granville County	\$ 7,198,333
Vance County	<u>1,750,000</u>
Total receivable	8,948,333
Less: current portion	<u>(904,909)</u>
Non-current receivable	<u>\$ 8,043,424</u>

Minimum future payments due on notes receivable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 904,909	\$ 89,979	\$ 994,888
2015	915,674	79,215	994,889
2016	926,573	68,316	994,889
2017	937,608	57,280	994,888
2018	948,781	46,107	994,888
2019-2023	3,002,288	69,877	3,072,165
2024-2028	218,750	-	218,750
2029-2033	218,750	-	218,750
2034-2038	218,750	-	218,750
2039-2043	218,750	-	218,750
2044-2048	218,750	-	218,750
2049-2052	218,750	-	218,750
Total	<u>\$ 8,948,333</u>	<u>\$ 410,774</u>	<u>\$ 9,359,107</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

5. Capital Assets

Capital asset activity for the City of Henderson for the year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 657,746	\$ 857,437	\$ -	\$ 1,515,183
Construction in progress	<u>1,163,452</u>	<u>213,219</u>	<u>1,067,467</u>	<u>309,204</u>
Total capital assets not being depreciated	1,821,198	1,070,656	1,067,467	1,824,387
Capital assets being depreciated:				
Buildings	11,002,705	6,661,088	-	17,663,793
Other improvements	13,046,469	57,019	-	13,103,488
Equipment and vehicles	<u>8,779,146</u>	<u>35,156</u>	<u>41,281</u>	<u>8,773,021</u>
Total capital assets being depreciated	32,828,320	6,753,263	41,281	39,540,302
Less accumulated depreciation for:				
Buildings	1,476,904	257,506	-	1,734,410
Other improvements	12,418,235	57,894	-	12,476,129
Equipment and vehicles	<u>7,922,985</u>	<u>399,098</u>	<u>41,281</u>	<u>8,280,802</u>
Total accumulated depreciation	<u>21,818,124</u>	<u>714,498</u>	<u>41,281</u>	<u>22,491,341</u>
Total capital assets being depreciated, net	<u>11,010,196</u>			<u>17,048,961</u>
Governmental activity capital assets, net	<u>\$ 12,831,394</u>			<u>\$ 18,873,348</u>

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

General government	\$ 130,188
Public safety	417,270
Planning and community development	6,707
Public services – Transportation and other	21,968
Environmental protection	6,872
Recreation and parks	<u>131,493</u>
Total depreciation expense	<u>\$ 714,498</u>

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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

<u>Business-type Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 1,710,560	\$ -	\$ -	\$ 1,710,560
Construction in progress	1,004,523	334,026	1,040,794	297,755
Equipment not in service	<u>-</u>	<u>104,955</u>	<u>-</u>	<u>104,955</u>
Total capital assets not being depreciated	2,715,083	372,349	974,161	2,113,270
Capital assets being depreciated:				
Buildings	1,830,858	28,370	-	1,859,228
Distribution system	18,582,723	986,744	-	19,569,467
Equipment and vehicles	<u>622,898</u>	<u>18,071</u>	<u>-</u>	<u>640,969</u>
Total capital assets being depreciated	21,036,479	1,033,185	-	22,069,664
Less accumulated depreciation for:				
Buildings	406,576	22,218	-	428,794
Distribution system	4,227,588	304,441	-	4,532,029
Equipment and vehicles	<u>521,966</u>	<u>34,413</u>	<u>-</u>	<u>556,379</u>
Total accumulated depreciation	<u>5,156,130</u>	<u>361,072</u>	<u>-</u>	<u>5,517,202</u>
Total capital assets being depreciated, net	<u>15,880,349</u>			<u>16,552,462</u>
Water capital assets, net	<u>18,595,432</u>			<u>18,665,732</u>
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	211,136	-	-	211,136
Construction in progress	3,357,884	2,786,350	2,546,175	3,598,059
Equipment not in service	<u>-</u>	<u>60,769</u>	<u>-</u>	<u>60,769</u>
Total capital assets not being depreciated	3,569,020	2,847,119	2,546,174	3,869,964
Capital assets being depreciated:				
Buildings	22,967,934	1,229,888	-	24,197,822
Distribution system	13,182,129	1,266,286	-	14,448,415
Equipment and vehicles	<u>1,872,960</u>	<u>-</u>	<u>-</u>	<u>1,872,960</u>
Total capital assets being depreciated	38,023,023	2,496,174	-	40,519,197
Less accumulated depreciation for:				
Buildings	10,890,825	463,326	-	11,354,151
Distribution system	2,847,188	197,287	-	3,044,475
Equipment and vehicles	<u>1,749,424</u>	<u>46,885</u>	<u>-</u>	<u>1,796,309</u>
Total accumulated depreciation	<u>15,487,437</u>	<u>707,498</u>	<u>-</u>	<u>16,194,935</u>
Total capital assets being depreciated, net	<u>22,535,586</u>			<u>24,324,262</u>
Sewer capital assets, net	<u>26,104,606</u>			<u>28,194,226</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Regional Water System Fund				
Capital assets not being depreciated:				
Land	\$ 155,672	\$ -	\$ -	\$ 155,672
Construction in progress	<u>1,745,847</u>	<u>25,823</u>	<u>-</u>	<u>1,771,670</u>
Total capital assets not being depreciated	1,901,519	25,823	-	1,927,342
Capital assets being depreciated:				
Buildings	6,808,289	-	-	6,808,289
Distribution system	20,939,534	-	-	20,939,534
Equipment and vehicles	<u>664,482</u>	<u>63,650</u>	<u>-</u>	<u>728,132</u>
Total capital assets being depreciated	28,412,305	63,650	-	28,475,955
Less accumulated depreciation for:				
Buildings	3,580,922	101,117	-	3,682,039
Distribution system	4,129,789	332,896	-	4,462,685
Equipment and vehicles	<u>464,089</u>	<u>48,588</u>	<u>-</u>	<u>512,677</u>
Total accumulated depreciation	<u>8,174,800</u>	<u>482,601</u>	<u>-</u>	<u>8,657,401</u>
Total capital assets being depreciated, net	<u>20,237,505</u>			<u>19,818,554</u>
Regional Water capital assets, net	<u>22,139,024</u>			<u>21,745,896</u>
Business-type activities capital assets, net	<u>\$ 66,839,062</u>			<u>\$ 68,605,854</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

i. *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.

ii. *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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$496,114, \$514,625 and \$448,853, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 eligible for the Separation Allowance. To qualify for the allowance, the officer shall: 1) have (i) completed 30 or more years of creditable service or (ii) have attained 55 years of age and completed five or more years of creditable service; 2) not have attained 62 years of age; and 3) have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

Payment to a retired officer shall cease at the first of 1) the death of the officer; 2) the last day of the month in which the officer attains 62 years of age; or 3) the first day of reemployment by a local government employer in any capacity. However, if a retired officer is reemployed by any local government employer in a public safety position in a capacity not requiring participation in the Local Government Employees' Retirement System, such reemployment shall not cause payment to cease to such officer.

At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>54</u>
Total	<u>61</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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

iv. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	96,098
Interest on net pension obligation		12,456
Adjustment to annual required contribution		<u>(15,503)</u>
Annual pension cost		93,051
Contributions made		<u>(80,572)</u>
Increase (decrease) in net pension obligations		12,479
Net pension obligation, beginning of year		<u>249,115</u>
Net pension obligation, end of year	\$	<u><u>261,594</u></u>

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 88,125	73.76%	\$ 229,700
2012	85,519	77.30%	249,115
2013	93,051	86.59%	261,594

v. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits (AAL) was \$980,477 and the unfunded actuarial accrued liability (UAAL) was \$865,418. The covered payroll (annual payroll of active employees covered by the plan) was \$2,024,227, and the ratio of the UAAL to the covered payroll was 42.75 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

i. 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

ii. 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, 2013 were \$193,695, which consisted of \$96,613 from the City and \$97,082 from the law enforcement officers.

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

i. 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 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.

ii. Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer 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. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer 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. The city does not contribute to this plan.

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2013

f. Other Postemployment Benefit: Healthcare Benefits

i. *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.

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.

Employees that are hired after January 31, 2009 shall be entitled to participate in the City's health insurance plan (if any) upon their retirement provided they retire with fifteen (15) or more years continuous full-time employment by the City, and they personally pay 100% of the monthly health insurance premiums then set by the insurer, and provided the employee retires from the City with the NC Local Government Retirement System pursuant to Section 98.09A (iii).

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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	-
Terminated 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>

ii. 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.

iii. 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.

iv. 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:

Annual required contribution	\$ 672,992
Interest on net OPEB obligation	144,103
Adjustment to annual required contribution	<u>(137,663)</u>
Annual OPEB cost	679,432
Contributions made	<u>(351,879)</u>
Increase (decrease) in net OPEB obligation	327,553
Net OPEB obligation, beginning of year	<u>3,602,583</u>
Net OPEB obligation, end of year	<u>\$ 3,930,136</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,418,436	25.22%	\$ 3,238,971
2012	678,782	46.43%	3,602,583
2013	679,432	48.21%	3,930,136

v. *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.

vi. *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 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 Outflows and Inflows of Resources

The City has no deferred outflows of resources as of June 30, 2013.

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
General Fund:		
Property taxes receivable	\$ 616,026	\$ -
Prepaid taxes	-	21,436

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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2013, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

On August 27, 2013, the City was named a defendant to a lawsuit filed by the City of Oxford, in which the City of Oxford seeks to set aside the water reservation agreement between the City of Henderson and Granville County, disclosed in Note II.A.4 above. If the agreement is set aside, Granville County is entitled to the return of most, if not all, of the money that it has paid to the City of Henderson under this contract. In the opinion of the City's management and outside counsel for this case, the possibility that this loss will occur is more than remote but less than likely. As of June 30, 2013, the City of Henderson had received payments totaling \$1,902,277 from Granville County, and had an outstanding note receivable of \$7,198,333.

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 Executed</u>	<u>Payment Requirements</u>
Fire Truck	10/29/2008	5 annual payments of \$32,604
Excavator and Video Camera	10/29/2008	5 annual payments of \$34,698
Mobile and Portable Radio System	09/01/2010	5 annual payments of \$21,009
Backhoe, Service Truck, Tractor, and Dump Truck	04/30/2013	3 annual payments of \$65,759, and 2 payments of \$55,452

The following is an analysis of the assets recorded under capital leases at June 30, 2013:

<u>Class of property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles and equipment not in service	\$ 165,724	\$ -	\$ 165,724
Vehicles and equipment	566,861	313,519	253,342
Total	<u>\$ 732,585</u>	<u>\$ 313,519</u>	<u>\$ 419,066</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental</u>	<u>Business-type</u>
2014	\$ 53,647	\$ 100,458
2015	21,043	65,759
2016	21,043	65,759
2017	-	55,452
2018	-	55,452
Total minimum lease payments	95,734	342,881
Less: amount representing interest	(4,008)	(14,279)
Present value of minimum lease payments	<u>\$ 91,725</u>	<u>\$ 328,603</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

b. Notes Payable and Revolving Loans

At June 30, 2013, the City of Henderson had a legal debt margin of \$ 76,173,935.

Notes payable at June 30, 2013 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 Aycock Recreation Complex.	\$ 792,798
\$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.	2,035,000
\$163,750, 2009 note payable to Vance County due in annual installments of \$32,750 with no interest.	98,250

Serviced by the 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.	168,394
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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.	137,287
\$2,305,706, 1997 note payable to the North Carolina Division of Environmental Management due in 20 annual installments of \$115,285 plus interest at 3.43% for sewer improvements.	461,141
\$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.	186,680

Serviced by the Regional Water Fund:

\$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.	1,473,000
\$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>1,021,502</u>

Total	<u><u>\$ 6,374,052</u></u>
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CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 647,016	\$ 141,781	\$ 986,274	\$ 114,199
2015	647,016	110,412	869,833	79,497
2016	647,016	79,043	895,401	48,644
2017	350,000	47,674	330,471	23,958
2018	345,000	30,734	179,622	12,025
2019	290,000	14,036	186,402	5,245
Total	<u>\$ 2,926,048</u>	<u>\$ 423,680</u>	<u>\$ 3,448,003</u>	<u>\$ 283,568</u>

c. Notes Payable and Revolving Loans – Approved/Ongoing Capital Projects

As of June 30, 2013, the City of Henderson was subject to revolving loan agreements for ongoing capital projects. The draw-down phase of such agreements is not yet completed, and repayment of the loans has not yet begun.

Serviced by the Water Fund:

\$293,928, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for the capital purchase of radio read water meters. Repayment of the loan is scheduled for 20 years with zero interest. \$ 257,609

Serviced by the Sewer Fund:

\$16,615,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for capital improvements at the Henderson water reclamation facility. The City has been approved for \$1,000,000 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years with zero interest. 1,343,408

\$1,000,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for sanitary sewer capital improvements. The City has been approved for \$500,000 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years at 2% interest. 308,044

The City was additionally subject to revolving loan agreements for budgeted capital projects that had not yet begun as of June 30, 2013. No funds have been drawn down from such agreements.

Serviced by the Water Fund:

\$1,726,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for the water line capital improvements. Repayment of the loan is scheduled for 20 years with zero interest.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Serviced by the Sewer Fund:

\$1,800,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for pump station capital improvements. The City has been approved for \$900,000 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years with zero interest.

Serviced by the Regional Water System Fund:

\$1,129,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for a high speed efficiency pump capital project. Repayment of the loan is scheduled for 20 years with zero interest.

d. Revenue Bond (Private Placement Debt)

\$8,024,000 Combined Enterprise System Revenue Refunding Bond, Series 2011 (Water and Sewer Funds) issued in replacement of the Combined Enterprise System Revenue Bonds, Series 2001 (issued for water and sewer system improvements). The bonds are reported in the Water Fund. 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%.

\$ 6,459,000

The future payments of the revenue bond are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2014	\$ 862,000	\$ 155,016
2015	876,000	134,328
2016	899,000	113,304
2017	925,000	91,728
2018	944,000	69,528
2019-2020	<u>1,953,000</u>	<u>70,560</u>
Total	<u>\$ 6,459,000</u>	<u>\$ 634,464</u>

The City has been in compliance with the covenants as to rates, fees, and charges in Article V, Section 501 of the Bond order, authorizing the issuance of the Combined Enterprise System Revenue Refunding Bond, Series 2011, since its' adoption in 2011. Section 501(b) 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, 2013, are as follows:

<u>Parity debt</u>	<u>Water and Sewer Funds</u>
Income (loss) before contributions and transfers	\$ 4,265,177
Add back:	
Interest and other charges	230,015
Depreciation	<u>1,068,570</u>
Net revenues	<u>5,563,762</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Debt service, principal and interest (Revenue Refunding Bond only)	\$ <u>1,010,007</u>
Debt coverage ratio	551%
Required debt coverage ratio	125%
<u>Subordinate debt</u>	
Net revenues	\$ 5,563,762
Less: parity debt service	<u>1,010,007</u>
Adjusted net revenues	<u>4,553,755</u>
Debt service, principal and interest (All, including capital leases)	1,224,545
Less: parity debt service	<u>1,010,007</u>
Debt service, excluding parity debt	<u>444,553</u>
Debt coverage ratio	1,024%
Required debt coverage ratio	100%

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 for the refunding of previous revenue bonds issued for financing of 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 \$7,093,464. Principal and interest paid for the current year was \$1,010,007.

e. Changes in General Long-Term Debt

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental Activities:					
Notes payable	\$ 3,573,064	\$ -	\$ 647,016	\$ 2,926,048	\$ 647,016
Capital leases	158,410	-	66,684	91,725	51,190
Net pension obligation	249,115	93,051	80,572	261,594	-
Other post-employment benefits	2,603,650	537,755	293,567	2,847,838	-
Compensated absences	430,454	149,621	144,187	435,889	162,509
Governmental activity long-term liabilities	<u>\$ 7,014,693</u>	<u>\$ 780,427</u>	<u>\$ 1,232,026</u>	<u>\$ 6,563,094</u>	<u>\$ 860,715</u>
Business-type Activities:					
Notes payable	\$ 4,852,745	\$ 1,909,061	\$ 1,404,746	\$ 5,357,064	\$ 986,274
Revenue bond	7,294,000	-	835,000	6,459,000	862,000
Capital leases	120,346	295,000	86,743	328,603	94,857
Other post-employment benefits	998,933	141,677	58,312	1,082,298	-
Compensated absences	96,381	68,939	69,243	96,076	69,373
Business-type activity long-term liabilities	<u>\$ 13,362,405</u>	<u>\$ 2,414,677</u>	<u>\$ 2,454,045</u>	<u>\$ 13,323,041</u>	<u>\$ 2,012,505</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

f. 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, 2013:

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2013 consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	
Funding of grant and capital projects:		
General Fund	Grants Fund	\$ 4,199
Sewer Fund	Sewer Capital Project Fund	3,411
Capital Reserve Utilities Fund	Water Capital Project Fund	47,500
Capital Reserve Utilities Fund	Sewer Capital Project Fund	89,170
Rate Stabilization Fund	Sewer Capital Project Fund	103,360
Reversion of excess transfers to grant and capital projects:		
Carey Chapel Crossing Fund	General Fund	15,405
Capital Projects - General Fund	General Fund	6,920
Water Capital Project Fund	Water Fund	39,000
Water Capital Project Fund	Capital Reserve Utilities Fund	53,367
Sewer Capital Project Fund	Sewer Fund	4,549
Contributions to budgetary reserves:		
General Fund	Capital Reserve - Econ. Dev.	10,000
Water Fund	Capital Reserve Utilities Fund	44,600
Sewer Fund	Capital Reserve Utilities Fund	77,800
Sewer Fund	Rate Stabilization Fund	264,200
Regional Water System Fund	Regional Water Reserve Fund	669,000
Administrative support of proprietary funds:		
Water Fund	General Fund	361,300
Sewer Fund	General Fund	402,800
Regional Water System Fund	General Fund	225,000
Sewer Fund	Water Fund	202,500
Regional Water System Fund	Water Fund	80,000
Proprietary fund debt service:		
General Fund	Water Fund	96,900
Sewer Fund	Water Fund	383,004
Regional Water System Fund	Water Fund	16,000
Interest earnings received in permanent fund:		
Elmwood Cemetery Fund	General Fund	182

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Transfers are used to move unrestricted revenues to finance various program that the government must account for in other funds in accordance with budgetary authorization, including amounts providing matching funds for various grant programs and capital projects, contributions to budgetary reserves, and combined enterprise system debt. The City additionally utilizes transfers to record administrative support fees paid from the proprietary funds to the General Fund and from the Regional Water System Fund to the Water Fund.

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>	\$ 5,092,940
Less:	
Stabilization by State Statute	1,042,496
Public Safety – Asset Forfeiture	663,547
Streets – Powell Bill	267,610
Appropriated fund balance in 2014 budget	153,000
Remaining fund balance	2,966,287

The City Council established a policy in 200 setting forth a goal to increase the fund balance to an appropriate level. The City utilizes a more stringent measure for fund balance as a percentage of budget than does the Local Government Commission (LGC). To that end, the City only considers undesignated (unassigned) funds not reserved for any purpose as the basis for determining its percentage of unassigned fund balance to prior year expenditures. Additionally, this policy seeks to achieve a 3 – 5% increase in unassigned fund balance each year until 30% has been reached. The City’s Strategic Plan, since April 2008, has included a long-term Action Item, AP 8-1, to grow the unassigned fund balance to 30% of budget. As of June 30, 2013, the unassigned fund balance is 22.36% of budget. Per the calculation used by the LGC, the City’s unassigned fund balance is 30.54% of prior year expenditures.

E. Prior period Adjustment

During the fiscal year ended June 30, 2013, the City determined that certain proprietary reserve funds had been consolidated into incorrect proprietary funds for presentation in the basic financial statements in the prior fiscal year. The Capital Reserve Utilities Fund and Rate Stabilization Fund, reported on Schedules 18 and 20 in the current year financial statements, were both consolidated into the Regional Water System Fund as of June 30, 2012. The correct presentation, as applied in the current fiscal year, is for specific departments of each fund to be consolidated, as applicable, into the Water Fund or Sewer Fund. An adjustment to beginning net position has been recorded to account for the prior period effect of the previously incorrect consolidation. This adjustment has the effect of increasing the beginning net position of the Water Fund and Sewer Fund by \$951,139 and \$158,625, respectively; and decreasing the net position of the Regional Water System Fund by \$1,109,764. Total net position of the City’s business-type activities is not affected by this adjustment.

III. 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 a total of \$28,981 to the Council during the fiscal year ended June 30, 2013; consisting of membership fees of \$7,377, an additional assessment of \$21,362, and annual banquet charges of \$242.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

IV. Joint Ventures

A. Regional Water System

The City participates in a joint venture to operate the Regional Water System (the *System*) with the City of Oxford and the County of Warren. The City of Henderson has a 60% vested interest in the system, while the City of Oxford and County of Warren each have a 20% vested interest. There exists no legally separate governing board responsible for the operations of the System. The intergovernmental agreement establishing the system, as amended, states that all decisions relative to the System shall be fair and equitable, with due regard given to each participating party according to their respective vested rights described above.

In accordance with the intergovernmental agreement between the participating governments, the title to all land and facilities is vested with the City of Henderson for the operation of the System, and the System is maintained and operated by the City of Henderson. The City of Henderson, in accordance with the intergovernmental agreement, maintains separate regional water system accounts for the recording of all System activities. These activities are reported in the City's financial statements as a major enterprise fund.

The operations of the System consist of the treatment and transmission of water from Kerr Lake to the water distribution systems of the participating governments. During the fiscal year ended June 30, 2013, the Water Fund of the City of Henderson purchased water from the System totaling \$2,799,980. This transaction is reported as an operating expense on the Water Fund and an operating revenue on the Regional Water System Fund.

B. H. Leslie Perry Memorial Library

The City participates in a joint venture to operate H. Leslie Perry Memorial Library with Vance County. The Library has a twelve-member board, to which the City appoints three members and the County the remaining nine. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' 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, 2013.

In accordance with the intergovernmental agreement between the participating governments, as amended on March 14, 2011, Vance County currently funds 75% of the library budget, with the City funding the remaining 25%. For fiscal year 2013, the City's appropriation to the library totaled \$187,315. Complete financial statements for the Library can be obtained from the Library's office at 205 Breckenridge Street, Henderson, NC 27536.

The Embassy Cultural Center Foundation, a non-for-profit corporation, held title to the real property utilized by the Library prior to May 13, 2013. Effective on that date, the Foundation contributed this property to the City of Henderson. This transaction is recognized as a capital contribution on the current year statement of activities.

C. 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, 2013.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$28,750 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.

D. Henderson Firemen's Supplemental Retirement System

The City appoints one member of the Henderson City Council to the five-member local board of trustees for the Henderson Firemen's Supplemental Retirement System. Two members are chosen from the membership of the Henderson Fire department and are elected by a majority vote of the members; the final two members are appointed by the President of the Henderson Board of Fire and Casualty Underwriters. In accordance with state law, the Henderson Firemen's Supplemental Retirement System has established a supplemental retirement fund which is comprised primarily of Firemen's Relief Fund payments received. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the System for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The City does not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. Financial statements for the System can be obtained from the Henderson Fire Department, 211 Dabney Drive, Henderson NC, 27536.

V. 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.

VI. Significant Effects of Subsequent Events

The City has evaluated events and transactions that occurred between June 30, 2013 and December 4, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Disclosure of a lawsuit originating subsequent to June 30, 2013 can be found at Note II.B.5.

VII. Change in Accounting Principles

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

VIII. Reclassification

Certain prior year financial statement line items have been reclassified in applicable comparative statements to conform to the current year's presentation. There was no effect to net position or fund balance as a result of such reclassifications.

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)
12/31/2007	\$ 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%
12/31/2012	115,059	980,477	865,418	11.74%	2,024,227	42.75%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
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
2013	96,098	83.8%	80,572

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	12/31/2012
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 Accrued 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%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2011	\$ 1,412,742	25.3%	\$ 357,736
2012	672,992	46.8%	315,170
2013	672,992	52.3%	351,879

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, 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 and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Ad valorem taxes				
Current year	\$ 5,324,200	\$ 5,432,137	\$ 107,937	\$ 5,029,391
Prior years	332,000	259,309	(72,691)	338,928
Penalties and interest	80,000	61,244	(18,756)	93,995
Total	<u>5,736,200</u>	<u>5,752,690</u>	<u>16,490</u>	<u>5,462,314</u>
Other taxes and licenses				
Privilege licenses	320,000	175,354	(144,646)	391,556
Vehicle rental tax	11,000	11,188	188	12,668
Total	<u>331,000</u>	<u>186,542</u>	<u>(144,458)</u>	<u>404,224</u>
Unrestricted intergovernmental				
Vance County ABC-5%	1,800	1,784	(16)	1,775
Franchise tax	850,000	833,970	(16,030)	826,279
Local option sales tax	2,325,000	2,392,890	67,890	2,355,482
ABC net revenues	16,000	1,364	(14,636)	3,800
Beer and wine tax	75,000	62,040	(12,960)	66,663
Total	<u>3,267,800</u>	<u>3,292,048</u>	<u>24,248</u>	<u>3,253,999</u>
Restricted intergovernmental				
State Street Aid grant	445,000	450,566	5,566	441,226
DOT mowing / snow contract	6,500	2,338	(4,162)	2,185
Solid waste disposal tax	6,400	8,656	2,256	10,505
Bullet Proof Vest Grant	2,500	2,500	-	2,705
Total	<u>460,400</u>	<u>464,060</u>	<u>3,660</u>	<u>456,621</u>
Permits and fees				
Auto tags	95,000	105,783	10,783	112,740
Total	<u>95,000</u>	<u>105,783</u>	<u>10,783</u>	<u>112,740</u>
Sales and services				
Recreation	62,000	47,065	(14,935)	51,711
Refuse collections	1,715,000	1,729,553	14,553	1,677,466
Misc. refuse collections	4,100	375	(3,725)	900
Leaf bags	1,500	1,398	(102)	1,678
Debt setoff-refuse collections	500	3,219	2,719	1,437
Bad debt recovery	1,500	1,845	345	409
Cemetery interment	6,000	8,250	2,250	15,750
Aquatics Center	68,000	74,136	6,136	68,038
Police Training Central rental	2,000	-	(2,000)	-
Rental-Fox Pond Park	9,555	4,749	(4,806)	1,640
Demolition and lot cleaning	4,000	646	(3,354)	25,352

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013			2012 Actual
	Budget	Actual	Variance Positive (Negative)	
County contracts	\$ 838,700	\$ 810,973	\$ (27,727)	\$ 788,210
Zoning and reclassification	15,000	13,705	(1,295)	16,115
Total	<u>2,727,855</u>	<u>2,695,914</u>	<u>(31,941)</u>	<u>2,648,706</u>
Investment earnings				
General Fund	5,000	4,761	(239)	5,455
Powell Bill	100	263	163	187
Total	<u>5,100</u>	<u>5,024</u>	<u>(76)</u>	<u>5,642</u>
Miscellaneous				
Parking violations	4,000	1,819	(2,181)	4,615
Civil penalties	-	50	50	-
Liens collected	3,000	1,605	(1,395)	230
Drug tax/Forfeitures	-	25,874	25,874	13,937
Court fees and charges	10,000	6,407	(3,593)	8,265
Fire code violations	500	250	(250)	200
False alarm fines	-	-	-	2,500
Recreation donations	12,890	14,772	1,882	4,630
Miscellaneous	13,980	39,268	25,288	57,777
Insurance proceeds	22,900	79,744	56,844	25,489
Workers compensation reimbursement	-	-	-	30,128
Sale of assets	15,000	8,132	(6,868)	5,130
Total	<u>82,270</u>	<u>177,921</u>	<u>95,651</u>	<u>152,901</u>
Total revenues	<u>12,705,625</u>	<u>12,679,982</u>	<u>(25,643)</u>	<u>12,497,147</u>
EXPENDITURES				
General Government				
Legislative				
Governing Body	210,152	189,510	20,642	189,391
City Attorney	93,680	80,469	13,211	71,227
Total Legislative	<u>303,832</u>	<u>269,979</u>	<u>33,853</u>	<u>260,618</u>
Administrative				
Administration	350,300	333,652	16,648	365,098
Human Resources	145,760	140,084	5,676	132,599
Finance	442,300	417,138	25,162	595,250
Information services	41,000	20,336	20,664	-
Total Administrative	<u>979,360</u>	<u>911,210</u>	<u>68,150</u>	<u>1,092,947</u>
Total General Government	<u>1,283,192</u>	<u>1,181,189</u>	<u>102,003</u>	<u>1,353,565</u>

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Public safety				
Police	\$ 3,828,130	\$ 3,735,239	\$ 92,891	\$ 3,616,257
Police - asset forfeiture	242,801	128,502	114,299	66,250
Fire department				
Fire	2,103,270	2,056,437	46,833	1,979,546
Lease purchase	54,000	53,612	388	61,733
Total Fire department	2,157,270	2,110,049	47,221	2,041,279
Total Public safety	6,228,201	5,973,790	254,411	5,723,786
Planning and community development				
Code compliance	166,790	146,776	20,014	127,020
Planning and community development	143,870	137,601	6,269	137,393
Main Street - downtown development	112,900	50,146	62,754	28,076
Total Planning and community development	423,560	334,523	89,037	292,489
Public services				
Transportation				
Street maintenance	1,160,300	1,032,292	128,008	993,225
Capital outlay	30,000	29,461	539	17,300
Total Transportation	1,190,300	1,061,753	128,547	1,010,525
Environmental protection				
Sanitation	851,700	794,968	56,732	837,848
Sanitation - lease purchase	17,700	17,668	32	17,668
Total Environmental protection	869,400	812,636	56,764	855,516
Other public services				
Public Buildings	91,090	67,876	23,214	80,186
Bennett Perry House	9,400	5,407	3,993	-
Administration - public works	135,430	111,879	23,551	212,823
City Garage	156,430	116,571	39,859	109,753
Cemetery	73,900	69,352	4,548	68,995
Total Other public services	466,250	371,085	95,165	471,757
Total Public services	2,525,950	2,245,474	280,476	2,337,798

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Recreation and parks				
Recreation Services	\$ 893,115	\$ 842,056	\$ 51,059	\$ 793,870
Recreation capital outlay	5,700	5,695	5	-
Youth Services	195,900	178,901	16,999	181,347
Aycock Aquatics Center	337,550	322,956	14,594	279,150
Total Recreation and parks	<u>1,432,265</u>	<u>1,349,608</u>	<u>82,657</u>	<u>1,254,367</u>
Non-departmental				
City and County shared programs				
Contribution to library	187,400	187,315	85	224,770
Other shared programs	751,000	734,566	16,434	728,257
Total City and county shared programs	<u>938,400</u>	<u>921,881</u>	<u>16,519</u>	<u>953,027</u>
Local agencies				
Contribution to airport	28,750	28,750	-	26,022
Other local agencies	6,500	6,500	-	4,500
Total Local agencies	<u>35,250</u>	<u>35,250</u>	<u>-</u>	<u>30,522</u>
General Non-departmental				
Insurance deductible	16,000	15,234	766	30,589
Insurance reserve	76,750	62,882	13,868	-
Group insurance - retiree	317,000	293,567	23,433	377,370
Unemployment costs	21,900	24,924	(3,024)	27,767
Economic development incentive	-	-	-	5,000
Information technology	-	-	-	22,752
Bad debt	7,500	5,623	1,877	-
Senior citizen discount	13,000	-	13,000	-
Reserve - other	22,325	-	22,325	-
Total General non-departmental	<u>474,475</u>	<u>402,230</u>	<u>36,920</u>	<u>463,478</u>
Total Non-departmental	<u>1,448,125</u>	<u>1,359,361</u>	<u>88,764</u>	<u>1,447,027</u>
Debt service				
Principal retirement	647,100	647,016	84	654,265
Interest and other charges	173,200	172,782	418	211,659
Total Debt service	<u>820,300</u>	<u>819,798</u>	<u>502</u>	<u>865,924</u>
Total expenditures	<u>14,161,593</u>	<u>13,263,743</u>	<u>897,850</u>	<u>13,274,956</u>
Excess of revenues over (under) expenditures	<u>(1,455,968)</u>	<u>(583,761)</u>	<u>872,207</u>	<u>(777,809)</u>

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds:				
Special Revenue Funds				
Carey Chapel Crossing Project	\$ 15,405	\$ 15,405	\$ -	\$ -
Grants Fund	(4,199)	(4,199)	-	-
Recycling Project	-	-	-	1
Governor's Crime Commission Grant	-	-	-	(7,262)
Governor's Crime Comm. Viper Radio Grant	-	-	-	605
2010 Community Revi. Initiative Grant	-	-	-	(1,390)
Capital Project Funds				
Capital Reserve - Economic Development	(10,000)	(10,000)	-	(8,400)
HOPE VI	-	-	-	86
2009 BJA JAG Grant	-	-	-	(13)
2010 BJA JAG Grant	-	-	-	(864)
Ransom Street Redevelopment	-	-	-	(805)
A.L. Harris CDBG Housing Dev. Project	-	-	-	(14,681)
Capital Projects - General Fund	6,920	6,920	-	3,600
Capital Projects - Powell Bill	-	-	-	(65,400)
Permanent Fund - Elmwood Cemetery	1,000	182	(818)	-
Enterprise Funds				
Water Fund	264,400	264,400	-	441,825
Sewer Fund	402,800	402,800	-	576,911
Regional Water System Fund	225,000	225,000	-	245,810
Agency Fund - LEO Separation Allowance Pension	-	-	-	1,500
Total other financing sources	<u>901,326</u>	<u>900,508</u>	<u>(818)</u>	<u>1,171,523</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(554,642)</u>	<u>316,747</u>	<u>871,389</u>	<u>393,714</u>
Fund balance appropriated	<u>554,642</u>	<u>-</u>	<u>(554,642)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>316,747</u>	<u>\$ 316,747</u>	<u>393,714</u>
FUND BALANCE – Beginning		<u>4,776,193</u>		<u>4,382,479</u>
FUND BALANCE – Ending		<u>\$ 5,092,940</u>		<u>\$ 4,776,193</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2013, with Comparative Totals for June 30, 2012

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>			<u>Permanent</u>	<u>Total Nonmajor</u>		
	<u>BJA 2011</u>	<u>Carey Chapel Crossing Project</u>	<u>Grants Fund</u>	<u>Capital Reserve General</u>	<u>Capital Reserve Economic Development</u>	<u>General Fund</u>	<u>CIP Powell Bill</u>	<u>Elmwood Cemetery</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS										
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,627	\$ -	\$ 430,970	\$ 589,597	\$ 586,066
Restricted cash	-	-	30,600	56,430	18,050	-	30,435	-	135,515	64,821
Accounts receivable, net	-	-	4,199	-	-	-	-	-	4,199	595,507
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,799</u>	<u>\$ 56,430</u>	<u>\$ 18,050</u>	<u>\$ 158,627</u>	<u>\$ 30,435</u>	<u>\$ 430,970</u>	<u>\$ 729,311</u>	<u>\$ 1,246,394</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459	\$ -	\$ -	\$ 459	\$ 104,701
Due to General Fund	-	-	-	-	-	-	-	-	-	326,296
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459</u>	<u>-</u>	<u>-</u>	<u>459</u>	<u>430,997</u>
FUND BALANCES										
Non Spendable										
Perpetual maintenance	-	-	-	-	-	-	-	430,970	430,970	430,965
Restricted										
Streets - Powell Bill	-	-	-	-	-	-	30,435	-	30,435	-
Planning and community development	-	-	34,799	-	-	-	-	-	34,799	-
Capital reserves	-	-	-	56,430	18,050	-	-	-	74,480	81,606
Assigned	-	-	-	-	-	158,168	-	-	158,168	302,826
Total fund balance	<u>-</u>	<u>-</u>	<u>34,799</u>	<u>56,430</u>	<u>18,050</u>	<u>158,168</u>	<u>30,435</u>	<u>430,970</u>	<u>728,852</u>	<u>815,397</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,799</u>	<u>\$ 56,430</u>	<u>\$ 18,050</u>	<u>\$ 158,627</u>	<u>\$ 30,435</u>	<u>\$ 430,970</u>	<u>\$ 729,311</u>	<u>\$ 1,246,394</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2013, with Comparative Totals for June 30, 2012

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>				<u>Permanent</u>	<u>Total Nonmajor</u>		
	<u>BJA 2011</u>	<u>Carey Chapel Crossing Project</u>	<u>Grants Fund</u>	<u>Capital Reserve General</u>	<u>Capital Reserve Economic Development</u>	<u>General Fund</u>	<u>CIP Powell Bill</u>	<u>Fund</u>	<u>Elmwood Cemetery</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
REVENUES											
Restricted											
intergovernmental	\$ -	\$ -	\$ 67,219	\$ -	\$ -	\$ 105,877	\$ -	\$ -	\$ -	\$ 173,096	\$ 1,401,863
Other revenues	-	-	2,200	-	-	-	-	-	-	2,200	-
Sales of assets	-	-	-	-	-	-	-	-	-	-	150
Investment earnings	-	-	-	9	-	13	27	186	-	235	332
Total revenues	-	-	69,419	9	-	105,890	27	186	-	175,531	1,402,345
EXPENDITURES											
Public safety	1,380	-	27,718	-	-	-	-	-	-	29,098	54,517
Planning and community development	-	-	11,101	-	350	105,312	-	-	-	116,763	1,330,145
Public services	-	-	-	-	-	-	107,908	-	-	107,908	-
Total expenditures	1,380	-	38,819	-	350	105,312	107,908	-	-	253,769	1,384,662
Revenues over (under) expenditures	<u>(1,380)</u>	<u>-</u>	<u>30,600</u>	<u>9</u>	<u>(350)</u>	<u>578</u>	<u>(107,881)</u>	<u>186</u>	<u>-</u>	<u>(78,238)</u>	<u>17,683</u>
OTHER FINANCING SOURCES											
Transfers in (out)	-	(15,405)	4,199	-	10,000	(6,920)	-	(181)	-	(8,307)	94,573
Excess of revenues and other financing sources over (under) expenditures	<u>(1,380)</u>	<u>(15,405)</u>	<u>34,799</u>	<u>9</u>	<u>9,650</u>	<u>(6,342)</u>	<u>(107,881)</u>	<u>5</u>	<u>-</u>	<u>(86,545)</u>	<u>112,256</u>
FUND BALANCE											
Beginning	1,380	15,405	-	56,421	8,400	164,510	138,316	430,965	-	815,397	703,141
Ending	\$ -	\$ -	\$ 34,799	\$ 56,430	\$ 18,050	\$ 158,168	\$ 30,435	\$ 430,970	\$ -	\$ 728,852	\$ 815,397

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue 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, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental Department of Justice Grant	\$ 30,818	\$ 30,818	\$ -	\$ 30,818	\$ -
Total revenues	30,818	30,818	-	30,818	-
EXPENDITURES					
Public Safety:					
Overtime	17,154	15,732	1,159	16,891	263
FICA/ Medicare	1,328	1,203	90	1,293	35
Retirement	861	1,109	73	1,182	(321)
401k matching	868	787	58	845	23
Vance County Sheriff Share	10,607	10,607	-	10,607	-
Total expenditures	30,818	29,438	1,380	30,818	-
Excess of revenues over (under) expenditures	-	1,380	(1,380)	-	-
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 1,380	(1,380)	\$ -	\$ -
FUND BALANCE – Beginning			1,380		
FUND BALANCE – Ending			\$ -		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund – Carey 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, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental					
Department of Commerce Grant	\$ 216,000	\$ 216,000	\$ -	\$ 216,000	\$ -
Other revenues					
Donations	227,079	224,358	-	224,358	(2,721)
Total revenues	443,079	440,358	-	440,358	(2,721)
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	443,079	424,953	-	424,953	18,126
Excess of revenues over (under) expenditures	-	15,405	-	15,405	15,405
OTHER FINANCING SOURCES (USES)					
Transfer (to) General Fund	-	-	(15,405)	(15,405)	(15,405)
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 15,405	(15,405)	\$ -	\$ -
FUND BALANCE – Beginning			15,405		
FUND BALANCE – Ending			\$ -		

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund – Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
REVENUES						
Fire FM Global Grant:						
Other revenues						
FM Global Grant	\$ -	\$ -	\$ 2,200	\$ (2,200)	\$ -	\$ -
BJA Grant 2012:						
Restricted intergovernmental						
Bureau of Justice Grant	-	-	17,120	(17,120)	-	-
BJA Grant Bullet Proof Vests 2012:						
Restricted intergovernmental						
Bureau of Justice Grant	4,199	-	4,199	-	4,199	-
Julia Avenue Project:						
Restricted intergovernmental						
Vance Co. Engineering Contract	38,370	-	39,000	-	39,000	630
Orange Breckenridge Redevelop.:						
Restricted intergovernmental						
Kerr-Tar Regional COG	-	-	6,900	(6,900)	-	-
Department of Commerce – CA:						
Restricted intergovernmental						
Department of Commerce	50,000	-	-	-	-	(50,000)
Total revenues	92,569	-	69,419	(26,220)	43,199	(49,370)
EXPENDITURES						
Public safety:						
Fire FM Global Grant:						
Capital outlay	-	-	2,200	(2,200)	-	-
BJA Grant 2012:						
FICA/Medicare	-	-	660	(660)	-	-
Retirement	-	-	582	(582)	-	-
Overtime	-	-	8,600	(8,600)	-	-
Vance Co. Sheriff Dept. share	-	-	6,848	(6,848)	-	-
401(k)	-	-	430	(430)	-	-
Total	-	-	17,120	(17,120)	-	-
BJA Grant Bullet Proof Vests 2012:						
Capital outlay	8,398	-	8,398	-	8,398	-

CITY OF HENDERSON, NORTH CAROLINA
Special Revenue Fund – Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
Planning and community development:						
Julia Avenue Project:						
Contracted services	\$ 29,730	\$ -	\$ 3,430	\$ -	\$ 3,430	\$ 26,300
Legal/Administrative	8,640	-	771	-	771	7,869
Total	38,370	-	4,201	-	4,201	34,169
Orange Breckenridge Redevelop.:						
Contracted services	-	-	5,796	(5,796)	-	-
Landfill fees	-	-	1,104	(1,104)	-	-
Total	-	-	6,900	(6,900)	-	-
Department of Commerce – CA						
Salaries and wages	25,000	-	-	-	-	25,000
Travel and schools	5,000	-	-	-	-	5,000
Training	10,000	-	-	-	-	10,000
Planning	5,000	-	-	-	-	5,000
Grant administration	5,000	-	-	-	-	5,000
Total	50,000	-	-	-	-	50,000
Total expenditures	96,768	-	38,819	(26,220)	12,599	84,169
Excess of revenues over (under) expenditures	<u>(4,199)</u>	<u>-</u>	<u>30,600</u>	<u>-</u>	<u>30,600</u>	<u>34,799</u>
OTHER FINANCING SOURCES (USES)						
BJA Grant Bullet Proof Vests 2012:						
Transfer from General Fund	4,199	-	4,199	-	4,199	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>34,799</u>	<u>\$ -</u>	<u>\$ 34,799</u>	<u>\$ 34,799</u>
FUND BALANCE – Beginning			<u>-</u>			
FUND BALANCE – Ending			<u>\$ 34,799</u>			

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund – Capital Reserve Fund – General
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	<u>2013</u>		Variance Positive (Negative)	2012 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Investment earnings	\$ -	\$ 9	\$ 9	\$ 9
Total revenues	-	9	9	9
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	-	-	-
Total other financing sources	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	9	<u>\$ 9</u>	9
FUND BALANCE – Beginning		<u>56,421</u>		<u>56,412</u>
FUND BALANCE – Ending		<u>\$ 56,430</u>		<u>\$ 56,421</u>

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund – Capital Reserve Fund – Economic Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Planning and community development:				
EDP 12-1 Appliance	800	300	500	-
EDP 12-2 Thermo King	2,300	50	2,250	-
Capital Reserve	15,300	-	15,300	-
Total expenditures	18,400	350	18,050	-
Excess of revenues over (under) expenditures	(18,400)	(350)	18,050	-
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	10,000	10,000	-	8,400
Fund balance appropriated	8,400	-	(8,400)	-
Total other financing sources	18,400	10,000	(8,400)	8,400
Excess of revenues and other financing sources over (under) expenditures	\$ -	9,650	\$ 9,650	8,400
FUND BALANCE – Beginning		8,400		-
FUND BALANCE – Ending		\$ 18,050		\$ 8,400

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, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
REVENUES						
Beckford Drive Widening Project:						
Restricted intergovernmental SAFETEA - LU	\$ 825,000	\$ 117,992	\$ 1,025	\$ -	\$ 119,017	\$ (705,983)
Roofing City Hall Project:						
Restricted intergovernmental NC Dept. of Commerce – Round II Energy Grant	-	28,509	-	(28,509)	-	-
Downtown Apartments Project:						
Restricted intergovernmental US Dept. of Housing and Urban Development – Hope VI Phase 2 Grant	-	895,148	104,852	(1,000,000)	-	-
Investment income	-	15	13	-	28	28
Total revenues	<u>825,000</u>	<u>1,041,664</u>	<u>105,890</u>	<u>(1,028,509)</u>	<u>119,045</u>	<u>(705,955)</u>
EXPENDITURES						
Planning and community development:						
Beckford Drive Widening Project:						
Contingency	84,150	-	-	-	-	84,150
Administration	12,787	5,682	460	-	6,142	6,645
Construction	732,600	-	-	-	-	732,600
Engineering	201,713	195,155	-	-	195,155	6,558
Total	<u>1,031,250</u>	<u>200,837</u>	<u>460</u>	<u>-</u>	<u>201,297</u>	<u>829,953</u>
Roofing City Hall Project:						
Contracted services	-	1,550	-	(1,550)	-	-
Administration	-	139	-	(139)	-	-
Construction	-	55,330	-	(55,330)	-	-
Total	-	<u>57,019</u>	-	<u>(57,019)</u>	-	-
Downtown Apartments Project:						
Improvements and structures	-	901,148	104,852	(1,006,000)	-	-
Total expenditures	<u>1,031,250</u>	<u>1,159,004</u>	<u>105,312</u>	<u>(1,063,019)</u>	<u>201,297</u>	<u>829,953</u>
Excess of revenues over (under) expenditures	<u>(206,250)</u>	<u>(117,340)</u>	<u>578</u>	<u>34,510</u>	<u>(82,252)</u>	<u>123,998</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, 2013

	Project Author- ization	Actual				Variance Positive Negative
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
OTHER FINANCING SOURCES						
(USES)						
Beckford Drive Widening Project:						
Transfers (to) from General Fund	\$ 206,250	\$ 206,250	\$ -	\$ -	\$ 206,250	\$ -
Roofing City Hall Project:						
Transfers (to) from General Fund	-	35,430	(6,920)	(28,510)	-	-
Downtown Apartments Project:						
Transfers (to) from General Fund	-	6,000	-	(6,000)	-	-
Total other financing sources (uses)	<u>206,250</u>	<u>247,680</u>	<u>(6,920)</u>	<u>(34,510)</u>	<u>206,250</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 130,340</u>	<u>(6,342)</u>	<u>\$ -</u>	<u>\$ 123,998</u>	<u>\$ 123,998</u>
FUND BALANCE – Beginning			<u>164,510</u>			
FUND BALANCE – Ending			<u>\$ 158,168</u>			

CITY OF HENDERSON, NORTH CAROLINA
Capital Project Fund – CIP Powell Bill
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Investment income	\$ -	\$ 21,233	\$ 27	\$ -	\$ 21,260	\$ 21,260
Sales tax refunds	-	388	-	-	388	388
Total revenues	-	21,621	27	-	21,648	21,648
EXPENDITURES						
Public Services:						
High Street Connector Project:						
Planning/design	-	4,448	-	(4,448)	-	-
Street Repairs (Birch, Hillside, Cameron) Project:						
Legal/administration	500	-	105	-	105	395
Construction	115,428	-	107,803	-	107,803	7,625
Total	115,928	-	107,908	-	107,908	8,020
Total expenditures	115,928	4,448	107,908	(4,448)	107,908	8,020
Excess of revenues over (under) expenditures	<u>(115,928)</u>	<u>17,173</u>	<u>(107,881)</u>	<u>4,448</u>	<u>(86,260)</u>	<u>29,668</u>
OTHER FINANCING SOURCES (USES)						
High Street Connector Project:						
Transfers from General Fund	-	4,448	-	(4,448)	-	-
Street Repairs (Birch, Hillside, Cameron) Project:						
Transfers from General Fund	115,928	115,929	-	-	115,929	1
Transfers (to) General Fund	(21,600)	(21,600)	-	-	(21,600)	-
Fund balance appropriated	21,600	-	-	-	-	(21,600)
Total other financing sources (uses)	115,928	98,777	-	(4,448)	94,329	(21,599)
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 115,950</u>	<u>(107,881)</u>	<u>\$ -</u>	<u>\$ 8,069</u>	<u>\$ 8,069</u>
FUND BALANCE – Beginning			138,316			
FUND BALANCE – Ending			<u>\$ 30,435</u>			

CITY OF HENDERSON, NORTH CAROLINA
Permanent Fund – Elmwood Cemetery
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Cemetery revenues	\$ -	\$ -	\$ -	\$ -
Investment earnings	<u>1,000</u>	<u>186</u>	<u>(814)</u>	<u>205</u>
Total revenues	<u>1,000</u>	<u>186</u>	<u>(814)</u>	<u>205</u>
EXPENDITURES				
Public Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,000</u>	<u>186</u>	<u>(814)</u>	<u>205</u>
OTHER FINANCING SOURCES (USES)				
Transfer (to) General Fund	(1,000)	(181)	819	-
Transfers from Capital Projects Fund - General	<u>-</u>	<u>-</u>	<u>-</u>	<u>550</u>
Total other financing sources	<u>(1,000)</u>	<u>(181)</u>	<u>819</u>	<u>550</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>5</u>	<u>\$ 5</u>	<u>755</u>
FUND BALANCE – Beginning		<u>430,965</u>		<u>430,210</u>
FUND BALANCE – Ending		<u>\$ 430,970</u>		<u>\$ 430,965</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 5,227,000	\$ 5,408,716	\$ 181,716	\$ 5,094,192
Water reservation fee - Granville County	-	850,528	850,528	951,139
Debt setoff - water charges	1,500	9,547	8,047	1,226
Sprinklers and hydrants	111,000	116,408	5,408	115,877
Bad debts recovery	5,000	7,289	2,289	6,226
Returned check fees	4,200	4,279	79	3,375
Tapping	35,000	34,044	(956)	52,480
Reconnection	20,000	21,419	1,419	23,615
Set up charges	12,000	10,499	(1,501)	11,343
Overpayments utilities	-	(7,837)	(7,837)	13,190
Past due charges	71,000	74,304	3,304	72,745
Total	<u>5,486,700</u>	<u>6,529,196</u>	<u>1,042,496</u>	<u>6,345,408</u>
Other operating revenues				
Sale of materials	1,500	6,950	5,450	3,291
Miscellaneous	2,000	2,420	420	6,234
Over-short	-	51	51	132
Total	<u>3,500</u>	<u>9,421</u>	<u>5,921</u>	<u>9,657</u>
Total operating revenues	<u>5,490,200</u>	<u>6,538,617</u>	<u>1,048,417</u>	<u>6,355,065</u>
Non-operating revenues				
Interest on investments	2,300	5,014	2,714	40,126
Interest on water reservation note receivable	-	100,611	100,611	-
Insurance proceeds	-	-	-	12,084
Workers comp. reimbursement	-	-	-	1,288
Sale of assets	2,000	-	(2,000)	2,074
Federal reimbursement - FEMA	-	-	-	6,362
T-Mobile Agreement	25,000	25,750	750	25,245
Sprint PCS Site Agreement	25,000	25,462	462	25,017
Total non-operating revenues	<u>54,300</u>	<u>156,837</u>	<u>102,537</u>	<u>112,196</u>
Total revenues	<u>5,544,500</u>	<u>6,695,454</u>	<u>1,150,954</u>	<u>6,467,261</u>
EXPENDITURES				
Administration and engineering				
Salaries and employee benefits	209,750	195,885	13,865	167,029
Supplies	15,500	14,361	1,139	6,531
Telephone	3,800	3,004	796	2,581
Insurance	2,560	2,514	46	1,488

CITY OF HENDERSON, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Contracted services	\$ 6,900	\$ 3,414	\$ 3,486	\$ 1,022
Capital outlay - noncapital	3,000	-	3,000	308
Other administration expenses	6,950	2,682	4,268	4,023
Total	248,460	221,860	26,600	182,982
Public services administration				
Salaries and employee benefits	89,670	-	89,670	-
Supplies	3,100	1,954	1,146	-
Telephone	5,200	3,518	1,682	-
Contracted services	7,230	4,942	2,288	-
Capital outlay	35,000	28,370	6,630	-
Capital outlay - noncapital	-	5,427	(5,427)	-
Other expenses	4,600	5,088	(488)	-
Total	144,800	49,299	95,501	-
Water distribution operations				
Salaries and employee benefits	363,520	352,674	10,846	455,116
Purchases for resale	2,799,980	2,603,861	196,119	2,626,198
Supplies	53,100	41,695	11,405	52,583
Telephone	7,290	5,999	1,291	5,065
Utilities	16,800	16,133	667	874
Bad debt expense	-	-	-	36,200
Insurance	15,500	15,327	173	14,917
Contracted services	84,300	69,822	14,478	64,289
Reimbursement - Water	48,300	39,514	8,786	42,840
Maintenance	111,200	85,670	25,530	55,240
Water line repairs	102,200	100,891	1,309	70,388
Water meter replacements	60,000	47,129	12,871	97,056
Water taps	35,000	32,114	2,886	33,386
Capital outlay - noncapital	8,700	8,676	24	2,520
Capital outlay	161,000	104,955	56,045	27,920
Interest and fees	17,700	-	17,700	-
Other expenses	24,610	21,492	3,118	29,120
Total	3,909,200	3,545,952	363,248	3,613,712
Customer service				
Salaries and employee benefits	365,380	329,593	35,787	-
Supplies	28,520	21,338	7,182	-
Telephone	-	829	(829)	-
Insurance	10,480	9,266	1,214	-
Contracted services	50,200	54,491	(4,291)	-
Credit card service fees	12,000	14,548	(2,548)	-

CITY OF HENDERSON, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Capital outlay	\$ 22,000	\$ 18,071	\$ 3,929	\$ -
Other expenses	5,300	4,894	406	-
Total	<u>493,880</u>	<u>453,030</u>	<u>40,850</u>	<u>-</u>
Non-departmental				
Interest and fees	190,500	192,583	(2,083)	406,415
Bond issuance costs	-	-	-	348,163
Bond close-out proceeds	-	-	-	(274,500)
Debt service - principal	879,600	877,098	2,502	3,060,701
Retiree insurance	27,000	16,222	10,778	-
Workers' compensation insurance	5,000	1,856	3,144	-
Vacation and comp. time payout	12,000	-	12,000	-
Reserve for bad debt	78,000	1,674	76,326	-
Contingency	50,000	-	50,000	-
Insurance reserve	30,260	13,783	16,477	-
Other reserve	39,000	-	39,000	-
Cost of living adjustment	11,000	-	11,000	-
Total	<u>1,322,360</u>	<u>1,103,216</u>	<u>219,144</u>	<u>3,540,779</u>
Total expenditures	<u>6,118,700</u>	<u>5,373,357</u>	<u>745,343</u>	<u>7,337,473</u>
Excess of revenues over (under) expenditures	<u>(574,200)</u>	<u>1,322,097</u>	<u>405,611</u>	<u>(870,212)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds:				
General fund	(264,400)	(264,400)	-	(441,825)
Water Capital Project Fund	39,000	39,000	-	(229,204)
Sewer Capital Project Fund	-	-	-	2,227,298
Sewer Fund	603,200	585,504	(17,696)	557,808
Regional Water System Fund	96,000	96,000	-	85,922
Utilities Capital Reserve Fund	(44,600)	(44,600)	-	(48,740)
Rate Stabilization Fund	-	-	-	(951,139)
Lease proceeds	145,000	145,000	-	-
Total other financing sources	<u>574,200</u>	<u>556,504</u>	<u>(17,696)</u>	<u>1,200,120</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,878,601</u>	<u>\$ 387,915</u>	<u>\$ 329,908</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 1,878,601		
Reconciling items:				
Debt service - principal		877,098		
Lease proceeds		(145,000)		
Capital outlay		151,396		
Depreciation		(361,072)		
Increase in notes receivable		899,472		
(Increase) decrease in accrued liabilities:				
Accrued vacation		(2,318)		
Accrued interest		3,507		
Accrued OPEB Liability		(28,471)		
Consolidated activity:				
Water Capital Project Fund:				
Sales tax refunds		4,063		
Non-capitalized projects closed to Water Fund		(54,050)		
Transfers (to) from Water Fund		(39,000)		
Transfers (to) from Capital Reserve Utilities Fund		(5,867)		
Utilities Capital Reserve Fund:				
Transfers (to) from Water Fund		44,600		
Transfers (to) from Water Capital Project Fund		5,867		
Rate Stabilization Fund:				
Tapping fee revenues		140,000		
Investment earnings		<u>72</u>		
Total reconciling items		<u>1,490,297</u>		
Change in net position		<u>\$ 3,368,898</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Sewer Charges	\$ 4,065,000	\$ 4,131,867	\$ 66,867	\$ 3,923,953
Sewer surcharges	13,000	17,667	4,667	12,425
Debt setoff - water charges	5,000	19,028	14,028	2,400
Bad debts recovery	8,500	12,434	3,934	10,637
Tapping	8,000	4,188	(3,812)	7,560
Reconnection	40,000	49,977	9,977	55,101
Code violations	5,000	4,550	(450)	9,873
Set up charges	25,000	24,497	(503)	26,375
Fog compliance monitoring	7,000	8,499	1,499	7,553
Past due charges	175,000	173,376	(1,624)	169,739
Total	<u>4,351,500</u>	<u>4,446,083</u>	<u>94,583</u>	<u>4,225,616</u>
Other operating revenues				
Sale of materials	-	2,717	2,717	567
Miscellaneous	-	426	426	338
Total	<u>-</u>	<u>3,143</u>	<u>3,143</u>	<u>905</u>
Total operating revenues	<u>4,351,500</u>	<u>4,449,226</u>	<u>97,726</u>	<u>4,226,521</u>
Non-operating revenues				
Interest on investments	200	2,027	1,827	3,796
Sale of assets	-	-	-	6,096
Insurance proceeds	-	-	-	10,395
Workers comp. reimbursement	-	-	-	7,171
Vance County	155,600	150,055	(5,545)	156,079
Total non-operating revenues	<u>155,800</u>	<u>152,082</u>	<u>(3,718)</u>	<u>183,537</u>
Total revenues	<u>4,507,300</u>	<u>4,601,308</u>	<u>94,008</u>	<u>4,410,058</u>
EXPENDITURES				
Water Reclamation Facility				
Salaries and employee benefits	890,700	856,695	34,005	833,082
Supplies	289,000	277,622	11,378	265,810
Telephone	17,100	14,165	2,935	14,240
Utilities	332,900	329,179	3,721	313,804
Bad debt expense	-	-	-	40,050
Insurance	49,420	48,995	425	59,852
Contracted Services	188,700	185,289	3,411	180,083

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Maintenance	\$ 289,100	\$ 260,447	\$ 28,653	\$ 231,835
Capital outlay	-	-	-	5,071
Capital outlay - noncapital	10,400	4,391	6,009	-
Lease purchase	-	17,696	(17,696)	17,696
Other expenses	24,100	18,155	5,945	13,656
Total	2,091,420	2,012,634	78,786	1,975,179
Sewer Collection Operations				
Salaries and employee benefits	162,650	144,100	18,550	140,382
Supplies	23,280	16,688	6,592	16,889
Telephone	3,300	2,248	1,052	2,058
Utilities	14,600	13,182	1,418	-
Insurance	12,500	17,844	(5,344)	12,762
Contracted services	24,230	17,232	6,998	11,158
Reimbursement - Utility policy	1,370	1,367	3	1,457
Maintenance	77,300	41,871	35,429	38,607
Sewer line repairs	18,000	13,271	4,729	13,280
Sewer taps	8,000	-	8,000	3,787
Capital outlay	185,000	60,769	124,231	-
Capital outlay - noncapital	3,000	3,000	-	-
Other expenses	10,700	9,863	837	8,334
Total	543,930	341,435	202,495	248,714
Sewer I & I Operations				
Salaries and employee benefits	110,740	97,625	13,115	108,757
Supplies	21,800	12,724	9,076	16,214
Insurance	13,260	13,076	184	9,142
Contracted services	21,800	8,250	13,550	13,505
Maintenance	14,100	6,309	7,791	11,701
Capital outlay - noncapital	3,100	3,100	-	-
Lease purchase	17,100	17,002	98	17,002
Other expenses	6,660	4,424	2,236	3,989
Total	208,560	162,510	46,050	180,310
Non-departmental				
Interest and fees	40,900	40,807	93	53,208
Principal	314,900	314,905	(5)	314,905
Retiree insurance	28,800	22,968	5,832	-
Workers' compensation insurance	2,500	457	2,043	-
Vacation and comp. time payout	6,800	-	6,800	-
Reserve for bad debt	70,000	-	70,000	-

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013			2012 Actual
	Budget	Actual	Variance Positive (Negative)	
Insurance reserve	\$ 39,720	\$ 15,173	\$ 24,547	\$ -
Other reserve	1,161	-	1,161	-
Cost of living adjustment	11,770	-	11,770	-
Contingency	50,000	-	50,000	-
Total	<u>566,551</u>	<u>394,310</u>	<u>172,241</u>	<u>368,113</u>
Total expenditures	<u>3,410,461</u>	<u>2,910,889</u>	<u>499,572</u>	<u>2,772,316</u>
Excess of revenues over (under) expenditures	<u>1,096,839</u>	<u>1,690,419</u>	<u>(405,564)</u>	<u>1,637,742</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds:				
General Fund	(402,800)	(402,800)	-	(576,911)
Capital Projects Fund - General	-	-	-	(50)
Sewer Capital Project Fund	1,161	1,164	3	(166,978)
Water Fund	(603,200)	(585,504)	17,696	(557,808)
Capital Reserve Utilities Fund	(77,800)	(77,800)	-	(172,800)
Rate Stabilization Fund	(264,200)	(264,200)	-	-
Lease proceeds	150,000	150,000	-	-
Total other financing sources	<u>(1,196,839)</u>	<u>(1,179,140)</u>	<u>17,699</u>	<u>(1,474,547)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(100,000)</u>	<u>511,279</u>	<u>(387,865)</u>	<u>163,195</u>
Fund balance appropriated	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 511,279</u>	<u>\$ (487,865)</u>	<u>\$ 163,195</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 511,279		
Reconciling items:				
Debt service - principal		347,447		
Lease proceeds		(150,000)		
Capital outlay		60,769		
Depreciation		(707,498)		
Increase (decrease) in inventory		1,608		
(Increase) decrease in accrued liabilities:				
Accrued vacation		(4,099)		
Accrued interest		2,025		
Accrued OPEB Liability		(35,818)		
Consolidated activity:				
Sewer Capital Project Fund:				
Sales tax refunds		7,220		
Non-capitalized projects closed to Sewer Fund		(50,000)		
Capital contributions received		308,044		
Transfers (to) from Sewer Fund		(1,164)		
Transfers (to) from other funds		192,530		
Capital Reserve Utilities Fund				
Investment earnings		170		
Acreage charge revenues		1,140		
Transfers (to) from Sewer Fund		77,800		
Transfers (to) from other funds		(89,170)		
Rate Stabilization Fund				
Transfers (to) from Sewer Fund		264,200		
Transfers (to) from other funds		(103,360)		
Total reconciling items		<u>121,844</u>		
Change in net position		<u>\$ 633,123</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 4,372,000	\$ 4,278,652	\$ (93,348)	\$ 4,205,273
Other operating revenues				
Miscellaneous	7,000	5,885	(1,115)	9,901
Total operating revenues	<u>4,379,000</u>	<u>4,284,537</u>	<u>(94,463)</u>	<u>4,215,174</u>
Non-operating revenues				
Interest on investments	3,000	4,138	1,138	5,978
Workers comp. reimbursement	-	-	-	1,276
Federal reimbursement - FEMA	-	-	-	5,250
Sale of assets	-	857	857	139
Total non-operating revenues	<u>3,000</u>	<u>4,995</u>	<u>1,995</u>	<u>12,643</u>
Total revenues	<u>4,382,000</u>	<u>4,289,532</u>	<u>(92,468)</u>	<u>4,227,817</u>
EXPENDITURES				
Regional Water Plant				
Salaries and employee benefits	601,150	568,906	32,244	497,835
Supplies	469,200	500,806	(31,606)	458,725
Telephone	7,200	5,589	1,611	-
Utilities	408,000	379,415	28,585	373,954
Insurance	38,000	32,579	5,421	35,767
Contracted services	385,340	375,188	10,152	366,836
Maintenance	147,300	114,493	32,807	199,992
Capital outlay - maintenance	-	32,296	(32,296)	-
Capital outlay	83,800	31,354	52,446	-
Capital outlay - noncapital	6,800	52,660	(45,860)	6,403
Lease purchase	56,050	55,962	88	56,348
Other expenses	22,200	19,843	2,357	24,331
Total	<u>2,225,040</u>	<u>2,169,091</u>	<u>55,949</u>	<u>2,020,191</u>
Non-departmental				
Interest and fees	110,000	109,375	625	142,268
Principal	1,047,800	1,047,743	57	1,007,814
Retiree insurance	20,900	19,123	1,777	-
Workers' compensation insurance	4,660	4,599	61	-
Vacation and comp. time payout	1,000	-	1,000	-
Insurance reserve	6,100	6,100	-	-
Total	<u>1,190,460</u>	<u>1,186,940</u>	<u>3,520</u>	<u>1,150,082</u>
Total expenditures	<u>3,415,500</u>	<u>3,356,031</u>	<u>59,469</u>	<u>3,170,273</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
Excess of revenues over (under) expenditures	\$ 966,500	\$ 933,501	\$ (151,937)	\$ 1,057,544
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds:				
General Fund	(225,000)	(225,000)	-	(245,810)
Water Fund	(96,000)	(96,000)	-	(85,922)
Regional Water System Capital Project Fund	(38,000)	(38,000)	-	(150,000)
Regional Water Reserve Fund	(669,000)	(669,000)	-	23,000
Capital Reserve - Regional Fund	-	-	-	(57,500)
Capital Reserve 20MGD Fund	-	-	-	(502,080)
Total other financing sources	<u>(1,028,000)</u>	<u>(1,028,000)</u>	<u>-</u>	<u>(1,018,312)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(61,500)</u>	<u>(94,499)</u>	<u>(151,937)</u>	<u>39,232</u>
Fund balance appropriated	<u>61,500</u>	<u>-</u>	<u>(61,500)</u>	<u>-</u>
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ (94,499)</u>	<u>\$ (213,437)</u>	<u>\$ 39,232</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, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	<u>2013</u>		<u>Variance Positive (Negative)</u>	<u>2012 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ (94,499)		
Reconciling items:				
Debt service - principal		1,101,944		
Capital outlay		63,650		
Depreciation		(482,601)		
Increase (decrease) in inventory		30,751		
(Increase) decrease in accrued liabilities:				
Accrued vacation		6,721		
Accrued interest		9,182		
Accrued OPEB Liability		(19,076)		
Consolidated activity:				
Regional Water System Capital Project Fund				
Investment earnings		202		
Sales tax refunds		1		
Transfers (to) from Regional Water System Fund		38,000		
Regional Water Reserve Fund				
Investment earnings		508		
Transfers (to) from Regional Water System Fund		<u>669,000</u>		
Total reconciling items		<u>1,418,282</u>		
Change in net position		<u>\$ 1,323,783</u>		

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Brookhaven Village MHP						
Restricted intergovernmental						
NC Dept. of Environment	\$ -	\$ 443,709	\$ -	\$ (443,709)	\$ -	\$ -
Sales tax refunds	-	-	12,732	(12,732)	-	-
Total	-	443,709	12,732	(456,441)	-	-
Rate Study / CIP Grant						
Restricted intergovernmental						
NC Rural Center Grant	-	39,050	-	(39,050)	-	-
Shirley Dr. Water Line Replacement						
Sales tax refunds	-	-	1,047	(1,047)	-	-
Sales tax refunds	-	13,258	(9,716)	-	3,542	3,542
Total revenues	-	496,017	4,063	(496,538)	3,542	3,542
EXPENDITURES						
Capital Outlay:						
Brookhaven Village MHP						
Planning / Design	-	58,888	-	(58,888)	-	-
Construction	-	395,730	-	(395,730)	-	-
Legal / Admin.	-	1,823	-	(1,823)	-	-
Total	-	456,441	-	(456,441)	-	-
Hydraulics / WA Quality Study						
Legal / Admin.	-	200	-	(200)	-	-
Engineering	-	126,900	-	(126,900)	-	-
Total	-	127,100	-	(127,100)	-	-
Harriett Street Water Line						
Resurfacing	-	16,705	-	(16,705)	-	-
Engineering	-	1,853	-	(1,853)	-	-
Construction	-	113,053	-	(113,053)	-	-
Total	-	131,611	-	(131,611)	-	-
Rate Study / CIP Grant						
Contracted services	-	54,050	-	(54,050)	-	-
Red Bud Creek - Line Replacement						
Construction	-	-	66,633	(66,633)	-	-

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Shirley Dr. Water Line Repl.						
Engineering	\$ -	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ -
Construction	-	194,959	-	(194,959)	-	-
Total	-	204,959	-	(204,959)	-	-
2" Water Line Replacement						
Permit Fees	2,000	2,110	-	-	2,110	(110)
Admin. / Closing fee	34,600	-	-	-	-	34,600
Legal / Admin.	16,000	-	133	-	133	15,867
Engineering	96,000	28,252	-	-	28,252	67,748
Construction admin.	78,000	-	-	-	-	78,000
Construction	1,366,000	-	-	-	-	1,366,000
Contingency	133,400	-	-	-	-	133,400
Total	1,726,000	30,362	133	-	30,495	1,695,505
Radio Read Water Meter Purchase						
Admin. / Closing fee	5,879	-	5,879	-	5,879	-
Water meter replacement	288,049	-	251,730	-	251,730	36,319
Total	293,928	-	257,609	-	257,609	36,319
Beckford Dr./Hwy 158 Water Ext.						
Legal / Admin.	500	-	252	-	252	248
Engineering	47,000	-	9,400	-	9,400	37,600
Total	47,500	-	9,652	-	9,652	37,848
Total expenditures	2,067,428	1,004,523	334,027	(1,040,794)	297,756	1,769,672
Excess of revenues over (under) expenditures	<u>(2,067,428)</u>	<u>(508,506)</u>	<u>(329,964)</u>	<u>544,256</u>	<u>(294,214)</u>	<u>1,773,214</u>
OTHER FINANCING SOURCES (USES)						
Hydraulics / WA Quality Study						
Transfer from Water Fund	-	88,100	-	(88,100)	-	-
Transfer from Regional Water	-	39,000	-	(39,000)	-	-
Total	-	127,100	-	(127,100)	-	-
Harriett Street Water Line						
Transfer from Water Fund	-	75,000	-	(75,000)	-	-
Transfer from Cap. Res. Utilities	-	56,612	-	(56,612)	-	-
Total	-	131,612	-	(131,612)	-	-

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Rate Study / CIP Grant						
Transfer from Water Fund	\$ -	\$ 15,000	\$ -	\$ (15,000)	\$ -	\$ -
Red Bud Creek - Line Replacement						
Transfer (to) from Cap. Res. Util.	-	120,000	(53,367)	(66,633)	-	-
Shirley Dr. Water Line Replacement						
Transfer from Water Fund	-	203,911	-	(203,911)	-	-
2" Water Line Replacement						
Transfer from Water Fund	-	39,000	(39,000)	-	-	-
Loan proceeds - DWSRF	<u>1,726,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,726,000)</u>
Total	<u>1,726,000</u>	<u>39,000</u>	<u>(39,000)</u>	<u>-</u>	<u>-</u>	<u>(1,726,000)</u>
Radio Read Water Meter Purchase						
Loan proceeds - DWSRF	293,928	-	257,609	-	257,609	(36,319)
Beckford Dr./Hwy 158 Water Ext.						
Transfer from Cap. Res. Utilities	<u>47,500</u>	<u>-</u>	<u>47,500</u>	<u>-</u>	<u>47,500</u>	<u>-</u>
Total other financing sources (uses)	<u>2,067,428</u>	<u>636,623</u>	<u>212,742</u>	<u>(544,256)</u>	<u>305,109</u>	<u>(1,762,319)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 128,117</u>	<u>(117,222)</u>	<u>\$ -</u>	<u>\$ 10,895</u>	<u>\$ 10,895</u>
FUND BALANCE – Beginning			<u>128,117</u>			
FUND BALANCE – Ending			<u>\$ 10,895</u>			

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
REVENUES						
Sanitary Sewer Rehab. Project						
Restricted intergovernmental						
NC CWMTF grant	\$ -	\$ 429,000	\$ -	\$ (429,000)	\$ -	\$ -
NC Rural Center grant	-	500,000	-	(500,000)	-	-
Total	-	929,000	-	(929,000)	-	-
HWRP Improvements						
Restricted intergovernmental						
CWSRF principal forgiveness	1,000,000	-	-	-	-	(1,000,000)
NC CWMTF grant	600,000	-	-	-	-	(600,000)
Total	1,600,000	-	-	-	-	(1,600,000)
UV Replacement Project						
Restricted intergovernmental						
NC CWMTF grant	-	811,812	-	(811,812)	-	-
NC Rural Center grant	-	389,665	-	(389,665)	-	-
Total	-	1,201,477	-	(1,201,477)	-	-
Sanitary Sewer Rehabilitation						
Restricted intergovernmental						
CWSRF principal forgiveness	500,000	-	308,044	-	308,044	(191,956)
NC Rural Center grant	110,334	-	-	-	-	(110,334)
Total	610,334	-	308,044	-	308,044	(302,290)
Sandy Creek Pump Station Imp.						
Restricted intergovernmental						
CWSRF principal forgiveness	900,000	-	-	-	-	(900,000)
Water/Sewer Planning Grant						
Restricted intergovernmental						
NC Rural Center grant	-	25,000	-	(25,000)	-	-
Investment income	-	936,773	(920,098)	-	16,675	16,675
Sales tax refunds	-	34,248	7,220	-	41,468	41,468
Total revenues	3,110,334	3,126,498	(604,834)	(2,155,477)	366,187	(4,646,437)

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
EXPENDITURES						
Capital Outlay:						
Sanitary Sewer Rehab. Project						
Engineering	\$ -	\$ 63,986	\$ -	\$ (63,986)	\$ -	\$ -
Construction	-	839,937	-	(839,937)	-	-
Inspection	-	161,708	-	(161,708)	-	-
Legal/Admin	-	61,448	-	(61,448)	-	-
Total	-	1,127,079	-	(1,127,079)	-	-
Newton Dairy Pump Project						
Professional Services	1,000	-	-	-	-	1,000
Right-A-Way	21,000	-	-	-	-	21,000
Engineering	25,900	17,283	-	-	17,283	8,617
Total	47,900	17,283	-	-	17,283	30,617
HWRF Improvements						
Legal/Admin	2,500	1,705	2,253	-	3,958	(1,458)
Engineering	1,145,420	747,552	261,292	-	1,008,844	136,576
Construction / Admin	16,019,000	-	1,179,483	-	1,179,483	14,839,517
Closing Fee - Grant / Loan	367,300	-	342,300	-	342,300	25,000
Land acquisition	27,000	-	-	-	-	27,000
Contingency	657,140	-	26,985	-	26,985	630,155
Total	18,218,360	749,257	1,812,313	-	2,561,570	15,656,790
UV Replacement Project						
Legal/Admin	-	250	-	(250)	-	-
Engineering	-	104,443	-	(104,443)	-	-
UV Project Construction	-	1,027,926	1,801	(1,029,727)	-	-
Construction / Admin	-	95,468	-	(95,468)	-	-
Total	-	1,228,087	1,801	(1,229,888)	-	-
Sanitary Sewer Rehabilitation						
Engineering	171,060	71,552	40,245	-	111,797	59,263
Asset Management Plan	5,000	-	-	-	-	5,000
Legal/Admin	2,700	-	318	-	318	2,382
Construction	887,229	-	823,124	-	823,124	64,105
SRF Closing Fee	20,000	-	20,000	-	20,000	-
Contingency	44,345	-	-	-	-	44,345
Total	1,130,334	71,552	883,687	-	955,239	175,095

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Spring St. Sanitary Sewer Repl.						
Permit / Legal Fees	\$ -	\$ 150	\$ -	\$ (150)	\$ -	\$ -
Appraisal	-	-	2,000	(2,000)	-	-
Encroachment Expense	-	5,500	826	(6,326)	-	-
Right of way	-	-	5,000	(5,000)	-	-
Engineering	-	12,435	5,279	(17,714)	-	-
Construction	-	108,017	-	(108,017)	-	-
Total	-	126,102	13,105	(139,207)	-	-
Elmwood Cemetery Outfall						
Engineering	19,300	-	999	-	999	18,301
Sandy Creek Pump Station Imp.						
Engineering and Geotechnical	131,700	11,775	74,195	-	85,970	45,730
Legal/Admin	500	-	250	-	250	250
Geotechnical	22,000	-	-	-	-	22,000
Construction	1,519,000	-	-	-	-	1,519,000
SRF Closing Fee	36,000	-	-	-	-	36,000
Contingency	143,000	-	-	-	-	143,000
Total	1,852,200	11,775	74,445	-	86,220	1,765,980
Water/Sewer Planning Grant						
Engineering	-	50,000	-	(50,000)	-	-
Total expenditures	21,268,094	3,381,135	2,786,350	(2,546,174)	3,621,311	17,646,783
Excess of revenues over (under) expenditures	(18,157,760)	(254,637)	(3,391,184)	390,697	(3,255,124)	14,902,636
OTHER FINANCING SOURCES (USES)						
Sanitation Sewer Rehab. Project						
Transfer (to) from Sewer Fund	-	202,628	(4,549)	(198,079)	-	-
Newton Dairy Pump Project						
Transfer from Sewer Fund	42,000	42,000	-	-	42,000	-
Transfer from Cap. Res. Utilities	5,900	5,900	-	-	5,900	-
Total	47,900	47,900	-	-	47,900	-
HWRP Improvements						
Loan proceeds - CWSRF	16,115,000	-	1,343,408	-	1,343,408	(14,771,592)
Transfer from Cap. Res. Utilities	400,000	379,110	20,890	-	400,000	-
Transfer from Rate Stabilization	103,360	-	103,360	-	103,360	-
Total	16,618,360	379,110	1,467,658	-	1,846,768	(14,771,592)

CITY OF HENDERSON, NORTH CAROLINA
Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
UV Replacement Project						
Transfer from Sewer Fund	\$ -	\$ -	\$ 3,411	\$ (3,411)	\$ -	\$ -
Transfer from Cap. Res. Utilities	-	25,000	-	(25,000)	-	-
Total	-	25,000	3,411	(28,411)	-	-
Sanitary Sewer Rehabilitation						
Loan proceeds - CWSRF	500,000	-	308,044	-	308,044	(191,956)
Transfer from Sewer Fund	20,000	20,000	-	-	20,000	-
Total	520,000	20,000	308,044	-	328,044	(191,956)
Spring St. Sanitary Sewer						
Transfer from Sewer Fund	-	108,350	(23)	(108,327)	-	-
Transfer from Cap. Res. Utilities	-	17,900	12,980	(30,880)	-	-
Total	-	126,250	12,957	(139,207)	-	-
Elmwood Cemetery Outfall						
Transfer from Cap. Res. Utilities	19,300	-	19,300	-	19,300	-
Sandy Creek Pump Station Imp.						
Loan proceeds - CWSRF	900,000	-	-	-	-	(900,000)
Transfer from Cap. Res. Utilities	52,200	16,200	36,000	-	52,200	-
Total	952,200	16,200	36,000	-	52,200	(900,000)
Water/Sewer Planning Grant						
Transfer from Cap. Res. - Reg.	-	12,500	-	(12,500)	-	-
Transfer from Cap. Res. Utilities	-	12,500	-	(12,500)	-	-
Total	-	25,000	-	(25,000)	-	-
Revenue bonds	-	1,307,200	(1,307,200)	-	-	-
Loan discount	-	6,506	-	-	6,506	6,506
Transfer (to) Water Fund	-	(2,227,298)	2,227,298	-	-	-
Other	-	1,448	-	-	1,448	1,448
Total other financing sources (uses)	18,157,760	(70,056)	2,762,919	(390,697)	2,302,166	(15,855,594)
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (324,693)</u>	<u>(628,265)</u>	<u>\$ -</u>	<u>\$ (952,958)</u>	<u>\$ (952,958)</u>
FUND BALANCE – Beginning			<u>(324,693)</u>			
FUND BALANCE – Ending			<u>\$ (952,958)</u>			

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
20MGD Expansion						
Investment income	\$ 198,560	\$ 198,787	\$ 131	\$ -	\$ 198,918	\$ 358
Sales tax refunds	175,300	175,299	1	-	175,300	-
Total	373,860	374,086	132	-	374,218	358
KLRW Interbasin Transfer						
Investment income	12	-	50	-	50	38
Warren Co. Meter Location						
Investment income	100	-	21	-	21	(79)
Total revenues	373,972	374,086	203	-	374,289	675
EXPENDITURES						
Capital Outlay:						
20MGD Expansion						
Engineering	1,088,556	1,078,588	-	-	1,078,588	9,968
Planning/design	13,636	13,636	-	-	13,636	-
Contingency	52,750	-	-	-	-	52,750
Legal/Admin	62,622	60,672	-	-	60,672	1,950
Total	1,217,564	1,152,896	-	-	1,152,896	64,668
KLRW Interbasin Transfer						
Engineering	483,776	441,637	14,750	-	456,387	27,389
Planning/design	119,988	119,988	-	-	119,988	-
Contingency	188,012	-	-	-	-	188,012
Professional services	41,224	31,175	166	-	31,341	9,883
Total	833,000	592,800	14,916	-	607,716	225,284
Warren Co. Meter Location						
Legal/Admin	5,000	150	215	-	365	4,635
Construction	107,100	-	3,000	-	3,000	104,100
Total	112,100	150	3,215	-	3,365	108,735
KLRWP High Speed Eff. Pump						
Engineering	67,000	-	7,393	-	7,393	59,607
Contingency	89,420	-	-	-	-	89,420
Legal/Admin	9,000	-	300	-	300	8,700
Construction	941,000	-	-	-	-	941,000
SRF Closing Fee	22,580	-	-	-	-	22,580
Total	1,129,000	-	7,693	-	7,693	1,121,307
Total expenditures	3,291,664	1,745,846	25,824	-	1,771,670	1,519,994
Excess of revenues over (under) expenditures	(2,917,692)	(1,371,760)	(25,621)	-	(1,397,381)	1,520,311

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
OTHER FINANCING SOURCES						
(USES)						
20MGD Expansion						
Transfer from Regional Water	\$ 801,704	\$ 801,704	\$ -	\$ -	\$ 801,704	\$ -
Transfer from Cap. Res. 20MGD	42,000	42,000	-	-	42,000	-
Total	843,704	843,704	-	-	843,704	-
KLRW Interbasin Transfer						
Transfer from Regional Water	307,988	269,988	38,000	-	307,988	-
Transfer from Cap. Res. IBT	525,000	525,000	-	-	525,000	-
Total	832,988	794,988	38,000	-	832,988	-
Warren Co. Meter Location						
Transfer from Regional Water	100,000	100,000	-	-	100,000	-
Fund balance appropriated	12,000	-	-	-	-	(12,000)
Total	112,000	100,000	-	-	100,000	(12,000)
KLRWP High Speed Eff. Pump						
Loan proceeds - DWSRF	1,129,000	-	-	-	-	(1,129,000)
Total other financing sources (uses)	2,917,692	1,738,692	38,000	-	1,776,692	(1,141,000)
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 366,932	12,379	\$ -	\$ 379,311	\$ 379,311
FUND BALANCE – Beginning			<u>366,932</u>			
FUND BALANCE – Ending			<u>\$ 379,311</u>			

CITY OF HENDERSON, NORTH CAROLINA
Capital Reserve Utilities Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	<u>2013</u>		Variance Positive (Negative)	2012 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Capital Reserve - Water				
Investment earnings	\$ 100	\$ -	\$ (100)	\$ -
Capital Reserve - Sewer				
Investment earnings	-	170	170	1,736
Acreage charges	-	1,140	1,140	24,930
	<u>100</u>	<u>1,310</u>	<u>1,210</u>	<u>26,666</u>
EXPENDITURES				
Capital Reserve - Water	53,367	-	53,367	-
Capital Reserve - Sewer	407,930	-	407,930	-
	<u>461,297</u>	<u>-</u>	<u>461,297</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(461,197)</u>	<u>1,310</u>	<u>462,507</u>	<u>26,666</u>
OTHER FINANCING SOURCES (USES)				
Capital Reserve - Water				
Transfer (to) from other fund:				
Water Fund	44,600	44,600	-	48,740
Water Capital Project Fund	5,867	5,867	-	(120,000)
Fund balance appropriated	2,800	-	(2,800)	-
Capital Reserve - Sewer				
Transfer (to) from other fund:				
Sewer Fund	77,800	77,800	-	172,800
Sewer Capital Project Fund	(89,170)	(89,170)	-	(413,210)
Rate Stabilization Fund	-	-	-	(112,800)
Fund balance appropriated	419,300	-	(419,300)	-
	<u>461,197</u>	<u>39,097</u>	<u>(422,100)</u>	<u>(424,470)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>40,407</u>	<u>\$ 40,407</u>	<u>(397,804)</u>
FUND BALANCE – Beginning		<u>45,825</u>		<u>443,629</u>
FUND BALANCE – Ending		<u>\$ 86,232</u>		<u>\$ 45,825</u>

CITY OF HENDERSON, NORTH CAROLINA

Regional Water Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013			2012 Actual
	Budget	Actual	Variance Positive (Negative)	
REVENUES				
Investment earnings	\$ 5,200	\$ 508	\$ (4,692)	\$ 571
Total revenues	5,200	508	(4,692)	571
EXPENDITURES				
Capital reserve				
Regional	51,000	-	51,000	-
Regional COE	9,100	-	9,100	-
Regional 20MGD	614,100	-	614,100	-
Total expenditures	674,200	-	674,200	-
Excess of revenues over (under) expenditures	(669,000)	508	669,508	571
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other fund:				
Regional Water Fund	669,000	669,000	-	(23,000)
Capital Reserve - Regional	-	-	-	147,613
Capital Reserve - Regional COE	-	-	-	36,378
Capital Reserve - Regional 20MGD	-	-	-	1,386,002
Total other financing sources	669,000	669,000	-	1,546,993
Excess of revenues and other financing sources over (under) expenditures	\$ -	669,508	\$ 669,508	1,547,564
FUND BALANCE – Beginning		1,547,564		-
FUND BALANCE – Ending		\$ 2,217,072		\$ 1,547,564

CITY OF HENDERSON, NORTH CAROLINA

Rate Stabilization Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year ended June 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Budget	Actual		
REVENUES				
Rate Stabilization - Water				
Water reservation fee - Granville County	\$ 951,100	\$ -	\$ (951,100)	\$ -
Tap fee - Vance County	140,000	140,000	-	-
Investment earnings	11,000	72	(10,928)	-
Total revenues	<u>1,102,100</u>	<u>140,072</u>	<u>(962,028)</u>	<u>-</u>
EXPENDITURES				
Rate Stabilization - Water				
20MGD Water Plant Expansion	2,052,239	-	2,052,239	-
Rate Stabilization - Sewer				
HWRP Upgrade Project	274,640	-	274,640	-
Total expenditures	<u>2,326,879</u>	<u>-</u>	<u>2,326,879</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,224,779)</u>	<u>140,072</u>	<u>1,364,851</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Rate Stabilization - Water				
Transfer (to) from Water Fund	-	-	-	951,139
Fund balance appropriated	951,139	-	(951,139)	-
Rate Stabilization - Sewer				
Transfer (to) from other fund:				
Sewer Fund	264,200	264,200	-	-
CIP Sewer Fund	(103,360)	(103,360)	-	-
Capital Reserve - Utilities	-	-	-	112,800
Fund balance appropriated	112,800	-	(112,800)	-
Total other financing sources	<u>1,224,779</u>	<u>160,840</u>	<u>(1,063,939)</u>	<u>1,063,939</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>300,912</u>	<u>\$ 300,912</u>	<u>1,063,939</u>
FUND BALANCE – Beginning		<u>1,063,939</u>		<u>-</u>
FUND BALANCE – Ending		<u>\$ 1,364,851</u>		<u>\$ 1,063,939</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 5,803,718	\$ 5,432,137	\$ 371,581
2011-2012	326,351	-	185,298	141,053
2010-2011	121,624	-	46,900	74,724
2009-2010	58,448	-	20,571	37,877
2008-2009	77,295	-	11,842	65,453
2007-2008	25,367	-	4,836	20,531
2006-2007	23,214	-	4,250	18,964
2005-2006	20,250	-	3,120	17,130
2004-2005	27,933	-	3,416	24,517
2003-2004	17,702	-	3,505	14,197
2002-2003	15,263	-	15,263	-
	<u>\$ 713,447</u>	<u>\$ 5,803,718</u>	<u>\$ 5,731,138</u>	786,027
				Less: allowance for uncollectible accounts: <u>(170,000)</u>
				Ad Valorem taxes receivable – net <u>\$ 616,027</u>
 <u>Reconciliation with revenues:</u>				
				Ad valorem taxes - General Fund \$ 5,752,690
				Reconciling items:
				Interest collected (61,244)
				Collections of previously written off taxes (1,297)
				Collection costs 737
				Taxes written off 271
				Releases <u>39,981</u>
				Total collections and credits <u>\$ 5,731,138</u>

CITY OF HENDERSON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2013

	City - Wide		Total Levy			
			Property exclusing Registered Motor Vehicles	Registered Motor Vehicles		
	Property Valuation	Rate	Total Levy			
Original levy:						
Property taxed at current year's rate	\$896,523,535	0.585	\$ 5,244,667	\$ 4,938,169	\$ 306,498	
Motor vehicles taxed at prior year's rate	28,454,717	0.585	166,462	-	166,462	
Penalties	-		16,646	16,646	-	
Total	<u>924,978,252</u>		<u>5,427,775</u>	<u>4,954,815</u>	<u>472,960</u>	
Discoveries:						
Current year taxes	98,131,476	0.585	574,069	573,937	132	
Prior year taxes	1,619,121	0.585	9,472	9,034	438	
Prior year taxes	708,817	0.565	4,362	4,362	-	
Total	<u>100,459,414</u>		<u>587,903</u>	<u>587,333</u>	<u>570</u>	
Abatements						
Current year taxes	(34,723,291)	0.585	(207,175)	(195,040)	(12,135)	
Prior year taxes	<u>(818,026)</u>	0.585	<u>(4,785)</u>	<u>-</u>	<u>(4,785)</u>	
Total	<u>(35,541,317)</u>		<u>(211,960)</u>	<u>(195,040)</u>	<u>(16,920)</u>	
Total property valuation	<u>\$989,896,349</u>					
Net levy			5,803,718	5,347,108	456,610	
Less Uncollected taxes at June 30, 2013			<u>371,581</u>	<u>304,731</u>	<u>66,850</u>	
Current year's taxes collected			<u>\$ 5,432,137</u>	<u>\$ 5,042,377</u>	<u>\$ 389,760</u>	
Current levy collection percentage			93.59%	94.30%	85.35%	
Tax Rate per \$100						
General Fund	\$ 0.585					
Public Library Fund	-					
Total	<u>\$ 0.585</u>					

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Table 1

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Net investment in										
capital assets	\$ 15,855,575	\$ 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
Restricted	2,544,337	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
Unrestricted (deficit)	<u>461,525</u>	<u>(374,053)</u>	<u>(197,470)</u>	<u>1,978,225</u>	<u>2,439,450</u>	<u>4,441,365</u>	<u>2,611,443</u>	<u>2,513,837</u>	<u>2,297,778</u>	<u>2,219,277</u>
Total	<u>\$ 18,861,437</u>	<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>
Business-type Activities										
Net investment in										
capital assets	\$ 56,461,187	\$ 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
Restricted	-	-	-	-	-	225,065	215,715	238,723	235,148	509,733
Unrestricted (deficit)	<u>19,252,954</u>	<u>15,816,368</u>	<u>9,049,829</u>	<u>8,183,861</u>	<u>7,272,178</u>	<u>7,035,416</u>	<u>9,851,995</u>	<u>3,385,127</u>	<u>4,002,932</u>	<u>3,635,530</u>
Total	<u>\$ 75,714,141</u>	<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>
Primary Government										
Net investment in										
capital assets	\$ 72,316,762	\$ 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
Restricted	2,544,337	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
Unrestricted (deficit)	<u>19,714,479</u>	<u>15,442,315</u>	<u>8,852,359</u>	<u>10,162,086</u>	<u>9,711,628</u>	<u>11,476,781</u>	<u>12,463,438</u>	<u>5,898,964</u>	<u>6,300,710</u>	<u>5,854,807</u>
Total	<u>\$ 94,575,578</u>	<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>

Notes

The City implemented GASB Statement 65 in fiscal year 2013, as disclosed in Note VII to the financial statements.

In accordance with GASB Statement 65, references to 'Net Assets' have been replaced with 'Net Position'.

Table 2

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Expenses										
General government	\$ 1,722,160	\$ 2,238,209	\$ 2,566,627	\$ 2,633,778	\$ 909,799	\$ 3,462,318	\$ 3,519,455	\$ 3,012,332	\$ 3,014,699	\$ 2,957,638
Public safety	6,543,946	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
Planning and community dev.	362,099	3,821,273	-	-	-	-	-	-	-	-
Economic and physical dev.	-	-	444,922	45,732	498,004	2,079,810	140,137	127,149	122,097	160,636
Human Services	-	-	302,533	267,359	604,768	-	-	-	-	-
Public services										
Transportation and other	1,451,033	1,525,762	-	-	-	-	-	-	-	-
Transportation and utilities	-	-	2,034,973	2,001,374	1,936,074	2,130,965	2,409,306	1,994,972	1,733,424	1,866,926
Environmental protection	830,317	900,391	900,033	859,341	1,309,976	1,132,792	972,879	960,518	1,000,729	1,040,312
Recreation and parks	1,497,013	1,418,212	-	-	-	-	-	-	-	-
Cultural and recreational	-	-	2,384,515	2,471,824	2,006,921	2,467,644	2,034,274	2,519,676	2,552,649	2,375,373
Local agencies and shared prog.	957,131	983,549	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	170,211	209,088	242,768	285,532	283,950	371,805	327,287	406,453	482,669	539,223
Total	13,533,910	17,849,661	15,674,963	15,914,873	14,518,078	17,335,984	15,309,243	14,525,881	14,268,314	14,041,521
Program Revenues										
Charges for Services										
General government	-	-	306,870	-	-	2,156,793	2,060,967	-	-	-
Public safety	105,783	112,740	449,415	470,633	523,420	800	23,237	77,457	79,612	87,983
Planning and community dev.	13,705	16,115	-	-	-	-	-	-	-	-
Economic and physical dev.	-	-	15,212	15,805	16,810	-	-	-	-	-
Public services										
Transportation and other	8,250	15,750	-	-	-	-	-	-	-	-
Transportation and utilities	-	-	437,339	521,671	572,373	491,781	515,003	449,676	418,441	376,595
Environmental protection	1,737,036	1,707,242	2,936,451	2,877,402	2,853,864	1,890,034	1,692,524	1,769,362	1,652,132	1,344,424
Recreation and parks	936,923	909,600	-	-	-	-	-	-	-	-
Cultural and recreational	-	-	904,876	1,025,485	1,135,797	132,923	159,531	144,088	144,616	153,724
Operating Grants and Contrib.	478,832	586,526	718,763	1,687,630	937,300	2,615,917	1,627,177	1,227,398	997,012	912,368
Capital Grants and Contributions	6,687,820	1,385,656	332,582	-	261,250	1,269,099	179,627	695,048	2,441,692	55,589
Total	9,968,349	4,733,629	6,101,508	6,598,626	6,300,814	8,557,347	6,258,066	4,363,029	5,733,505	2,930,683

Table 2

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Governmental Activities										
Net Program Expense	\$ (3,565,561)	\$ (13,116,032)	\$ (9,573,455)	\$ (9,316,247)	\$ (8,217,264)	\$ (8,778,637)	\$ (9,051,177)	\$ (10,162,852)	\$ (8,534,809)	\$ (11,110,838)
General Revenues and Other Changes in Net Position										
Taxes:										
Property taxes,										
levied for general purpose	\$ 5,835,556	\$ 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
Other taxes and licenses	186,542	404,224	988,795	1,077,211	957,720	1,198,375	1,157,166	871,540	711,164	721,482
Unrestricted Grants and Contrib.										
Local option sales tax	2,392,890	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
Other	899,158	898,516	-	-	-	-	-	15,606	14,094	19,092
Investment earnings, unrestricted	5,259	5,974	10,524	10,777	73,336	190,901	166,086	87,432	48,270	13,231
Sale of capital assets	-	-	-	-	-	638,280	-	-	-	-
Miscellaneous, unrestricted	163,149	149,921	204,424	150,800	94,999	130,237	39,218	1,276,304	1,282,593	1,309,726
Transfers	892,200	1,264,596	(89,222)	246,637	(7,660)	(482,577)	79,928	961,309	1,229,799	1,351,585
Total	<u>10,374,754</u>	<u>10,455,662</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>
Total Governmental Activities										
Change in Net Position	<u>\$ 6,809,193</u>	<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>

Table 2

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Business-type Activities										
Expenses										
Water, Sewer, and Regional Water System	\$ 10,729,182	\$ 10,685,265	\$ 11,623,998	\$ 11,080,440	\$ 11,359,948	\$ 10,824,002	\$ 10,098,559	\$ 8,632,687	\$ 8,287,232	\$ 8,797,390
Revenues										
Charges for Services	16,324,276	22,887,295	13,541,898	12,911,533	12,513,643	12,262,768	11,375,807	10,446,566	9,390,825	9,493,399
Capital Grants and Contributions	308,044	965,529	1,198,775	-	-	-	-	2,174,464	101,006	127,816
Total	<u>16,632,320</u>	<u>23,852,824</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>
Total Business-type Activities Net Program Expenses	5,903,138	13,167,559	3,116,675	1,831,093	1,153,695	1,438,766	1,277,248	3,988,343	1,204,599	823,825
Other Changes in Net Position										
Miscellaneous, unrestricted Transfers	314,866	579,747	357,728	704,649	620,231	315,387	294,887	422,928	537,897	463,958
Total	<u>(892,200)</u>	<u>(1,264,596)</u>	<u>89,222</u>	<u>(246,637)</u>	<u>7,660</u>	<u>-</u>	<u>-</u>	<u>(961,309)</u>	<u>(1,229,799)</u>	<u>(1,351,585)</u>
Total Business-type Activities Change in Net Position	<u>\$ 5,325,804</u>	<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>
Total Primary Government Changes in Net Position	<u>\$ 12,134,997</u>	<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>

Notes

The City recharacterized its presentation of governmental activities in fiscal year 2013. The presentation of fiscal year 2012 above has been reclassified for comparability.

The City implemented GASB Statement 65 in fiscal year 2013, as disclosed in Note VII to the financial statements.

In accordance with GASB Statement 65, references to 'Net Assets' have been replaced with 'Net Position'.

Table 3

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Restricted	\$ 1,973,653	\$ 2,510,980	\$ 2,454,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	153,000	259,600	175,008	-	-	-	-	-	-	-
Unassigned	2,966,287	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
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>
Total General Fund	<u>\$ 5,092,940</u>	<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>
All other Governmental Funds										
Nonspendable	\$ 430,970	\$ 430,965	\$ 430,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	139,714	81,606	96,032	-	-	-	-	-	-	-
Assigned	158,168	302,826	204,805	-	-	-	-	-	-	-
Unassigned	-	-	(27,906)	-	-	-	-	-	-	-
Reserved	-	-	-	430,210	429,610	419,112	407,352	391,548	375,942	361,848
Unreserved, reported in:										
Capital Projects Funds	-	-	-	249,212	(31,104)	209,647	185,434	258,752	129,007	148,815
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>
Total All Other Governmental Funds	<u>\$ 728,852</u>	<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>
Total for All Governmental Funds	<u>\$ 5,821,792</u>	<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>

Notes

The City implemented GASB Statement 54 during fiscal year 2011. In accordance with GASB 54, fund balance classifications were restated.

Table 4

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Ad valorem taxes	\$ 5,752,690	\$ 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
Other taxes and licenses	186,542	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
Unrestricted intergovernmental	3,292,048	3,253,999	977,123	942,297	1,000,133	931,360	773,610	724,941	712,996	723,482
Restricted intergovernmental	464,060	1,858,484	1,019,041	1,648,073	507,059	572,888	527,811	557,016	566,308	721,164
Permits and fees	105,783	112,740	92,333	101,619	106,870	121,606	239,282	237,976	239,373	221,911
Sales and services	2,695,914	2,648,706	4,295,878	4,442,363	4,568,346	4,672,331	4,414,221	3,373,200	3,259,435	2,906,706
Investment earnings	5,024	5,974	10,524	10,777	70,107	181,623	154,968	109,763	52,879	16,442
Miscellaneous	177,921	153,051	500,645	496,282	492,953	2,173,266	1,012,085	696,676	465,020	287,302
Total Revenues	<u>12,679,982</u>	<u>13,899,492</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>
Expenditures										
General government	1,181,189	1,353,565	1,366,911	1,374,033	1,686,089	1,702,486	1,580,409	1,640,613	1,706,300	1,713,906
Public safety	5,920,178	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
Planning and community dev.	334,523	1,622,634	132,148	136,608	-	-	-	-	-	-
Economic and physical dev.	-	-	671,490	807,344	57,845	49,365	50,846	86,644	87,050	91,995
Code Compliance	-	-	170,385	130,751	-	-	-	-	-	-
Public services										
Transportation and other	1,432,838	1,482,282	-	-	-	-	-	-	-	-
Transportation and utilities	-	-	1,984,752	1,949,725	1,886,579	2,250,585	2,079,036	1,900,408	1,639,158	1,931,594
Cemetery	-	-	69,545	125,267	-	-	-	-	-	-
Environmental protection	794,968	837,848	791,878	674,421	900,958	998,673	974,812	959,435	1,096,460	1,135,812
Recreation and parks	1,349,608	1,254,367								
Cultural and recreational	-	-	1,494,213	1,558,605	2,816,159	2,767,056	2,703,844	2,510,555	2,489,159	2,390,098
Non-departmental										
Donation to local agencies	957,131	983,549	664,791	694,316	-	-	-	-	-	-
General Non-departmental	402,230	463,478	430,086	337,704	42,404	30,019	35,079	35,501	4,878	2,766
Debt Service:										
Principal	647,016	654,265	764,141	745,148	704,857	794,491	784,413	741,986	623,929	669,230
Interest	172,782	211,659	226,004	285,532	304,665	371,805	355,836	406,453	482,669	506,762
Lease purchases	71,280	79,401	-	-	-	-	-	-	-	-
Total Expenditures	<u>13,263,743</u>	<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>

Table 4

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Excess (Deficiency) of										
Revenues Over Expenditures	\$ (583,761)	\$ (760,126)	\$ 10,872	\$ 191,739	\$ (490,344)	\$ 1,486,855	\$ 378,152	\$ (315,743)	\$ (1,183,826)	\$ (1,762,425)
Other Financing Sources (Uses)										
Transfer from other funds	914,707	1,391,353	298,423	460,723	159,244	111,995	192,336	1,198,626	1,317,801	1,469,478
Transfers to other funds	(14,199)	(125,257)	(327,186)	(182,086)	(355,301)	(634,608)	(260,244)	(135,191)	(140,751)	(1,607,057)
Installment Financing	-	-	98,131	-	72,979	118,620	79,886	-	553,250	411,707
Total Other Financing Sources and Uses	900,508	1,266,096	69,368	278,637	(123,078)	(403,993)	11,978	1,063,435	1,730,300	274,128
Net Change in Fund Balance	<u>\$ 316,747</u>	<u>\$ 505,970</u>	<u>\$ 80,240</u>	<u>\$ 470,376</u>	<u>\$ (613,422)</u>	<u>\$ 1,082,862</u>	<u>\$ 390,130</u>	<u>\$ 747,692</u>	<u>\$ 546,474</u>	<u>\$ (1,488,297)</u>
Total Expenditures	\$ 13,263,743	\$ 14,659,618	\$ 14,640,413	\$ 15,076,322	\$ 14,911,890					
Less: Capital Outlay Expenditures	<u>(248,376)</u>	<u>(1,360,687)</u>	<u>(671,528)</u>	<u>(1,013,764)</u>	<u>(3,738,856)</u>					
Total Noncapital Expenditures	<u>\$ 13,015,367</u>	<u>\$ 13,298,931</u>	<u>\$ 13,968,885</u>	<u>\$ 14,062,558</u>	<u>\$ 11,173,034</u>					
Debt Service as a Percentage of Noncapital Expenditures	6.85%	7.11%	7.09%	7.33%	9.04%	8.45%	8.46%	14.68%	8.23%	9.31%

Notes

The city reclassified local option sales taxes from "Other taxes and licenses" to "Unrestricted intergovernmental" in fiscal year 2012.

The City recharacterized its presentation of governmental activities in fiscal year 2013. The presentation of fiscal year 2012 above has been reclassified for comparability.

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
2013	\$ 804,253,630	\$ 197,365,742	\$ 11,723,023	\$ 989,896,349	0.5850
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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>City of</u>		<u>Total</u>
	<u>Henderson</u>	<u>Vance County</u>	
2013	\$ 0.5850	\$ 0.7820	\$ 1.3670
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

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.

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Components of the Total Direct Rate</u>		
	<u>General Fund</u>	<u>Public Library</u> <u>Fund</u>	<u>Total Direct Rate</u>
2013	\$ 0.5850	\$ -	\$ 0.5850
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

Table 7

CITY OF HENDERSON, NORTH CAROLINA
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Taxable Assessed	Rank	Percentage of	Taxable Assessed	Rank	Percentage of
	Value		Total Taxable	Value		Total Taxable
DLP Maria Parham Medical Center	\$ 87,291,505	1	8.82%	\$		
Progress Energy Carolinas	15,761,503	2	1.59%			
Carolina Telephone	14,773,347	3	1.49%	9,311,251	3	1.25%
Wal-Mart Real Estate Bus. Trust	13,966,061	4	1.41%	12,431,466	2	1.67%
Pacific Coast Feather Co.	10,708,261	5	1.08%			
WW Properties & Rentals LLC	10,263,881	6	1.04%			
Variety Wholesalers, Inc.	8,679,352	7	0.88%			
Libby Henderson Enterprises LLC	8,266,996	8	0.84%			
Rosemyr Corporation	7,460,990	9	0.75%	4,772,495	10	0.64%
Ruin Creek Properties	7,281,274	10	0.74%			
Royal Home Fashions				17,055,239	1	2.30%
Harriett & Henderson Yarns, Inc.				9,074,552	4	1.22%
Carolina Power & Light				8,555,808	5	1.15%
Lowes of Henderson				7,440,075	6	1.00%
Henderson Square Limited				7,075,510	7	0.95%
Americal Corporation				6,870,197	8	0.92%
Henderson Mall Limited				5,451,580	9	0.73%
	<u>\$ 184,453,170</u>		<u>18.63%</u>	<u>\$ 88,038,173</u>		<u>11.85%</u>

Note:

Above taxable assessed valuations are as of January 1, 2012 and 2003 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2013 and 2004 respectively.

Source:

Vance County Tax Office and 2004 City of Henderson CAFR.

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
2013	2012	\$ 5,803,718	\$	5,432,137	93.59%
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%

Table 9

CITY OF HENDERSON, NORTH CAROLINA
Ratio of Outstanding Debt by Type
Last Ten 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			
2013	\$ 91,725	\$ 2,926,048	\$ 6,459,000	\$ 328,603	\$ 5,357,064	\$ 15,162,440	15,320	\$ 990
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.

* Source: U.S. Census Bureau

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

Fiscal Year	Percentage of		Actual Taxable	
Ended June 30,	General	Value of	Debt Per Capita	
Obligation Debt	Property	Debt Per Capita		
2013	\$ -	0.000%	\$ -	-
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.

CITY OF HENDERSON, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
Last Ten Fiscal Years

Fiscal Year	Net General	Percentage	Amount
Ended June 30,	Obligation	Applicable to	Applicable to
Ended June 30,	Bonded Debt	Vance County	Vance County
2013	\$ -	0.000%	\$ -
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%	-

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

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value		\$	<u>989,896,349</u>
Debt Limit - Eight Percent (8%) of Assessed Value			79,191,708
Amount of Debt Applicable to Debt Limit			
Lease financing agreements	\$	3,017,773	
Revolving Loan		<u>-</u>	
Total Debt	\$	3,017,773	
Less - Statutory Deductions		<u>-</u>	<u>3,017,773</u>
Legal Debt Margin		\$	<u><u>76,173,935</u></u>

	<u>2013</u>	<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	\$ 79,191,708	\$ 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>(3,017,773)</u>	<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>\$ 76,173,935</u>	<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	3.81%	5.15%	6.34%	6.29%	8.16%	10.23%	11.32%	11.49%	14.06%	14.14%

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

Fiscal Year Ended June 30,	Population Estimated (1)	(Vance County)		Total Labor Force (3)	Public School Enrollment (ADM) (4)
		Per Capita Income (2)	Unemployment Rate (3)		
2013	15,214	N/A	12.80%	18,933	6,848
2012	15,330	N/A	14.20%	19,161	7,003
2011	15,368	\$29,621	14.10%	19,665	7,270
2010	15,777	\$28,560	13.50%	19,372	7,460
2009	15,850	\$28,244	12.30%	19,371	7,669
2008	15,897	\$28,946	14.40%	20,459	7,872
2007	15,951	\$27,199	8.40%	19,962	8,153
2006	15,906	\$25,759	7.30%	18,538	8,095
2005	15,999	\$24,542	7.60%	18,496	8,157
2004	16,098	\$23,873	9.10%	19,052	8,260

1 - Source: U.S. Census Bureau

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

3 - Source: North Carolina Employment Security Commission

4 - Source: The North Carolina Department of Public Instruction

ADM: Average Daily Membership

N/A: Information Not Available

CITY OF HENDERSON, NORTH CAROLINA
Ten Largest Employers
Current Year and Three Years Ago

Employer	2013		2010	
	Employment Range	Rank	Employment Range	Rank
Vance County Schools	1,000 +	1	1,000 +	1
Variety Wholesalers Inc.	500-999	2	500-999	2
Wal-Mart Associates Inc.	500-999	3		
Dlp Maria Parham Medical Center	500-999	4	500-999	3
Vance-Granville Community College	250-499	5		
Pacific Coast Feather Company	250-499	6	500-999	4
County of Vance	250-499	7		
Saint Gobain Containers	250-499	8		
City of Henderson	250-499	9	250-499	5
Food Lion	100-249	10		
M. R. Williams			100-249	6
Clayton Homes			100-249	7
Optimum Lighting			100-249	8
ETC			50-100	9
Vance County Mental Health			50-100	10

Note:

The City only started reporting this information in FY 2010.

Source:

Vance County Economic Development Commission and the N.C. Department of Commerce

CITY OF HENDERSON, NORTH CAROLINA
Number of Government Employees
Last Eight 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>	<u>FY 12-13</u>
General government	20	22	22	20	20	21	18	13
Public safety	102	99	102	102	101	105	95	95
Transportation and utilities	19	17	17	16	20	20	20	19
Environmental protection	31	29	28	22	18	8	5	5
Cultural and recreation	17	16	14	15	15	15	15	17
Code compliance	2	3	3	3	2	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>	<u>3</u>
	195	189	189	180	178	173	158	154
Water Fund								
Engineering	5	4	4	3	3	3	3	4
Customer Service	-	-	-	-	-	-	-	10
Water distribution	<u>14</u>	<u>15</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>10</u>
	19	19	18	16	16	18	18	24
Sewer Fund								
Water reclamation facility	23	21	21	21	21	21	21	21
Sewer Collection	7	7	6	6	5	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>	<u>3</u>
	30	28	30	30	29	29	29	29
Regional Water System Fund	12	11	11	11	10	11	11	12
	<u>256</u>	<u>247</u>	<u>248</u>	<u>237</u>	<u>233</u>	<u>231</u>	<u>216</u>	<u>219</u>

Notes

The City began to collect this data in 2006

Compliance Section



William L. Stark and Company
Certified Public Accountants

**Independent Auditor's Report on Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the City Council
City of Henderson, North Carolina

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Henderson's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 4, 2013



William L. Stark and Company
Certified Public Accountants

**Independent Auditor's 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

Report on Compliance for Each Major Federal Program

We have audited the City of Henderson's compliance 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 programs for the year ended June 30, 2013. The City of Henderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

Management of the City of Henderson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Henderson's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances 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 requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 4, 2013



William L. Stark and Company
Certified Public Accountants

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major State Program and Internal Control over Compliance in
Accordance with Applicable Sections of OMB Circular A-133 and the State
Single Audit Implementation Act**

To the City Council
City of Henderson, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Henderson's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Henderson's major State programs for the year ended June 30, 2013. The City of Henderson's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Henderson's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A 133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 State 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. However, our audit does not provide a legal determination of the City of Henderson's compliance.

Opinion on Each Major State Program

In our opinion, the 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 State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Henderson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Henderson's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 4, 2013

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weakness? Yes X 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: Unmodified

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>
66.458	Capitalization Grants for Drinking Water State Revolving Fund

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 Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

<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>				
Bureau of Justice Assistance				
Passed through N.C. Dept. of Crime Control and Public Safety:				
Bulletproof Vest Partnership Program	16.607		\$ 4,199	\$ -
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2333	1,380	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0603	17,120	-
<u>U.S. Department of Housing and Urban Development –</u>				
Passed through N.C. Dept. of Commerce:				
HOPE VI Phase II	14.878	NC19URD27536M08	104,852	-
<u>U.S. Environmental Protection Agency</u>				
Office of Water				
Passed through N.C. De.pt. of Environment and Natural Resources:				
Capitalization grants for Clean Water State Revolving Funds	66.458	CS370410-05	616,088	-
Capitalization grants for Clean Water State Revolving Funds	66.458	CS370410-06	1,343,408	-
Capitalization grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-11-1693	257,609	-
Total Federal Awards			<u>2,344,656</u>	<u>-</u>
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	<u>503,145</u>
Total State Awards			<u>-</u>	<u>503,145</u>
Total Federal and State Awards			<u>\$ 2,344,656</u>	<u>\$ 503,145</u>

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

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.

2 Loans Outstanding

City of Henderson had the following loan balances outstanding at June 30, 2013. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds			
Clean Water	66.458	CS370410-06	\$ 308,044
Clean Water	66.458	CS370410-05	1,343,408
Drinking Water	66.468	H-LRX-F-11-1693	257,609