

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF HENDERSON
HENDERSON, NORTH CAROLINA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF HENDERSON, NORTH CAROLINA
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Introductory Section



December 9, 2016

To the Honorable Eddie Ellington 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, 2016. 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, 2016, 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, 2016 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, just celebrating 175 years. 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 Councilmembers are elected for four-year staggered terms. The Mayor is elected at-large while four Councilmembers 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 Monday 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.

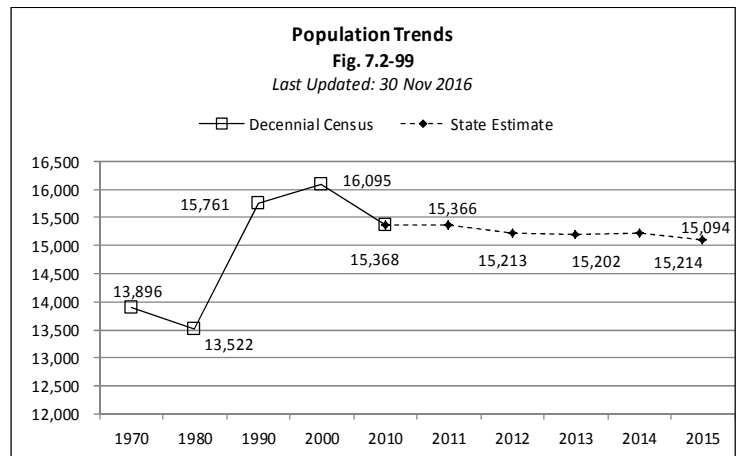
The City is empowered to levy a property tax on real and certain personal properties within its boundaries. It is also empowered to levy various fees and rates for services to its citizens and customers. North Carolina General Statutes enable the City to extend its corporate limits via voluntary and/or 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 June 30th 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 following table depicts 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 a 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. There is a mixture of large and smaller banks and several credit unions located within the area. Major manufacturing products

include home furnishings, glass, pet food, and wall coverings. Four major distribution facilities exist in the area, along with several smaller ones, one of which just completed a large expansion project. 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.

Tourism plays a major role in the region's economy. The Vance County Tourism Office manages various events including *Show, Shine, Shag & Dine*, a major classic cars event held 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 to 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 broke ground in December 2013 and has now completed a 1,000 seat performing arts center in the heart of downtown Henderson. Major shows and events have already been held in the venue with other major shows scheduled, one of the first sell out events was performed by Henderson's own Gerald Alston of the Manhattans. The McGregor Hall Performing Arts Center has a full time executive director and is a major facility in helping to revitalize downtown Henderson and its recruitment efforts in promoting new businesses. Henderson is still 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 initially two-daily stops in downtown Henderson. 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. The environment impact analysis has been performed and will continue to be monitored as money becomes available through congress to support High Speed Rail.

In order to prepare for the future, the City is now operating a new state of the art wastewater treatment facility. This was an \$18.5M project with final punch list and corrective items nearing completion. The plant's operating costs were reduced in this past fiscal year and further savings are anticipated while continuing to provide for state-of-the art waste water treatment services for business, industry and residential uses. Additionally, planning is also underway to increase the size of the Kerr Lake Regional Water Treatment Facility beyond 10MGD. The Kerr Lake Regional

Water System has received the certification for the inter-basin transfer of water. Although construction plans are in place for the expansion, adjustments and phasing of the project will be considered to insure that the best treatment technology is utilized and there is optimum efficiency at the plant at all times. This will assure adequate potable water for the future for business, industry and residential uses. The Sandy Creek Pump Station Project is complete and a major sewer interceptor replacement project will begin construction soon.

After the revaluation, the overall assessed tax values decreased; therefore, the tax rate for FY 17 was increased to a revenue neutral rate. There has been some economic growth with the expansion of several industries which should help to increase the assessed values in the future.

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 and staff have maintained 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.

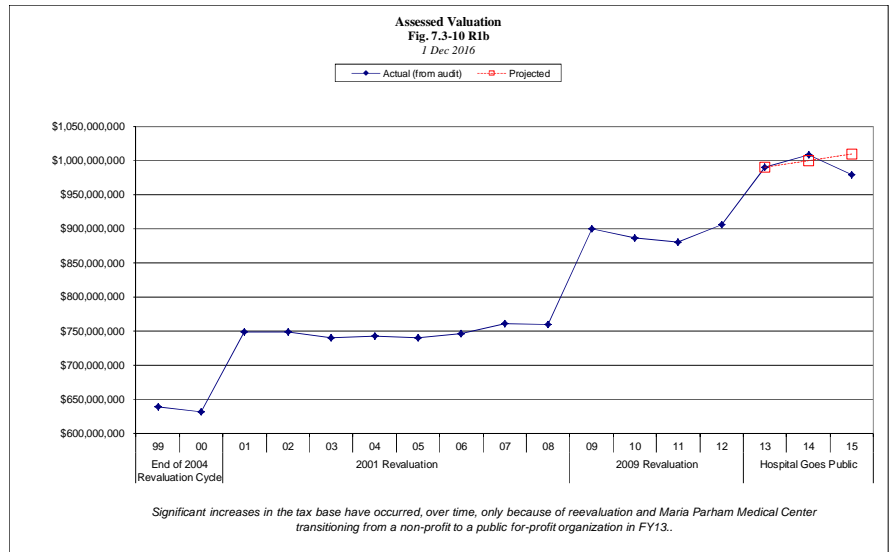
In order to achieve these major projects with minimal impact on the operating budgets, City Council approved long-term debt reduction and debt management plans for the Water, Sewer and Regional Water Funds. These plans provide valuable guidance in managing both operating and capital budgets and ensures funding will be present for these major projects.

Since 2005 when the unassigned general fund balance dipped dangerously low to an unacceptable level, the governing body’s goal was to restore it to a minimum of 30%. The City Council has appropriated some undesignated fund balance for recurring expenses. There continues to be good growth in the unassigned this past year, with the year ending balance increasing to \$6,982,870 or 52.9% of General Fund expenditures.

Major Initiatives

The City’s fiscal year ending June 30, 2016 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.

- Growth in the General Fund’s unassigned fund balance to \$6,982,870.
- Contributions made to water and sanitary sewer rate stabilization funds.



For the Future

The FY16-17 Annual Operating and Capital Budget was approved by City Council on 13 June 2016. The FY17 Budget, inclusive of all funds, is \$38,065,594. There was a 3% increase in the water rate, but no increases in the sewer or regional water rate for FY 17. The FY 16-17 operating budget has seen some improvement in various revenue streams; however, due to revaluation, there was a decrease in the values of real and personal property.

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 2014 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.

As noted earlier, there has been continued improvement in areas of revenue growth and new development; however, there are continued challenges. The City has hired a Finance Director and still maintains a seasoned staff in this office for needed stability and insuring our finances are in proper order.

Respectfully submitted,
Frank Frazier
City Manager

ORGANIZATION CHART

Mayor and City Council
 Eddie Ellington
 Ward 1 – Sara M. Coffey Marion Williams
 Ward 2 – Michael C. Inscoe D. Michael Rainey
 Ward 3 – Garry Daeke Melissa Elliott
 Ward 4 – George M. Daye Fearldine Simmons

City Clerk
 Esther J. McCrackin

City Manager
 Frank Frazier

City Attorney
 D. Rix Edwards

Executive Assistant
 Patricia Pearson

Assistant to the City Manager
 Paylor Spruill

Finance
 Joey Fuqua

Budget
 Rev Collection
 Customer Service
 Cash Management
 Payroll
 Accounting

Human Resources
 Cathy Brown

Recruitment
 Orientation
 Evaluation
 Employee Relations
 Benefits Adm.
 Risk Management

Recreation & Parks
 Kendrick Vann

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

Police
 Marcus Barrow

Administration
 Patrol
 Drug Enforce.
 Community Watch
 Partnerships

Fire
 Steve Cordell

Suppression
 Rescue
 Training
 Fire Prevention
 Inspection

Development Services
 Corey Williams

Code Enforcement
 Minimum Housing
 Abandoned Structures
 Long/Short Range Planning
 CDBG Housing
 Main Street

Water Reclamation
 Lamont Allen

Treatment
 Testing
 Monitoring
 I&I

Public Services
Interim- Andy Perkinson

Fleet Maintenance
 Street Sanitation
 Cemetery
 Sanitation & Recycling
 Water Distribution
 Sewer Collection
 Streets

Engineering
 Clark Thomas

Surveying
 Mapping
 Construction
 Mgmt/Eng Services
 Public Buildings

Regional Water
 Christy Lipscomb

Treatment
 Testing
 Monitoring

Mayor and Members of City Council

Eddie Ellington
Mayor

Members of City Council

Sara M. Coffey
Garry D. Daeke
George M. Daye
Melissa Elliott

Michael C. Inscoe
D. Michael Rainey, Mayor *Pro-Tempore*
Fearldine Simmons
Marion Williams

City Administration

Frank Frazier
City Manager

D. Rix Edwards
City Attorney

Joey Fuqua
Finance Director

Esther J. McCrackin
City Clerk

Paylor Spruill
Assistant to the City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Henderson
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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, 2016, 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, 2016, 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 on pages 4 through 14, the Law Enforcement Officers' Special Separation Allowance's Schedule of Employer Contributions on page 62, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 63, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 64, 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 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 9, 2016



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, 2016. 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

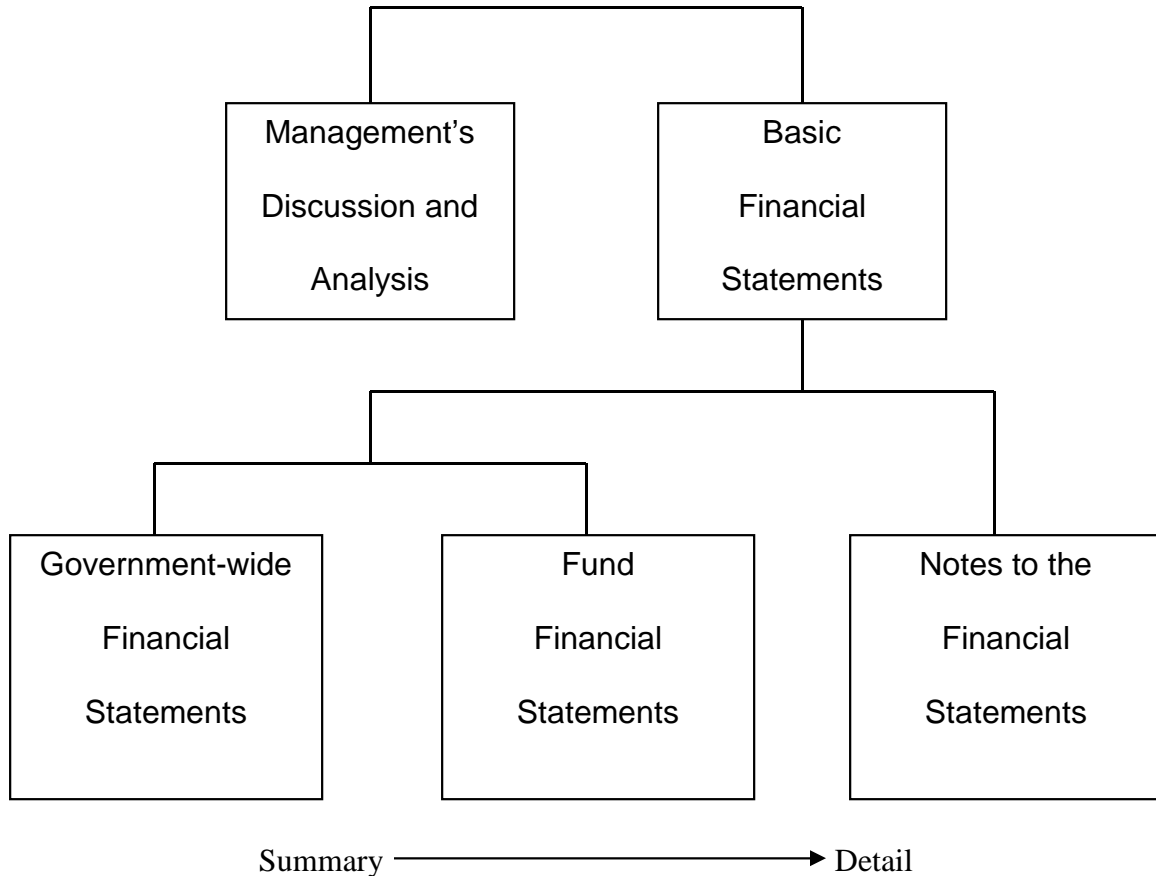
- The assets and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$104,801,029 (*net position*).
- The government's total net position increased by \$8,507,068. Current year activities increased net position by \$8,391,958, while a reclassification of the Law Enforcement Officers' pension agency fund into the General Fund, in accordance with new accounting standards, increase net position by \$115,110.
- As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$10,506,118 with a net change of \$1,860,382 in fund balance. Approximately 27 percent of this total amount, or \$2,842,835, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,982,870 or 52.9 percent of total general fund expenditures for the fiscal year.
- The City of Henderson's total recorded debt decreased by \$2,523,957 (8.4%) during the current fiscal year.

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.

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

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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.

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 28 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 62 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 11,625,699	\$ 10,254,643	\$ 23,099,721	\$ 22,403,492	\$ 34,725,420	\$ 32,658,135
Capital assets	18,117,603	18,158,704	86,899,737	86,370,951	105,017,340	104,529,655
Deferred outflows of resources	360,828	370,246	136,661	142,794	497,489	513,040
Total assets and deferred outflows of resources	30,104,130	28,783,593	110,136,119	108,917,237	140,240,249	137,700,830
Long-term liabilities outstanding	5,845,841	5,671,699	27,915,105	29,769,399	33,760,946	35,441,098
Other liabilities	593,844	668,049	623,407	3,164,374	1,217,251	3,832,423
Deferred inflows of resources	333,654	1,542,185	127,369	591,163	461,023	2,133,348
Total liabilities and deferred inflows of resources	6,773,339	7,881,933	28,665,881	33,524,936	35,439,220	41,406,869
Net position:						
Net investment in capital assets	16,776,372	16,387,583	60,567,294	57,944,442	77,343,666	74,332,025
Restricted	2,842,835	2,693,934	28,258	-	2,871,093	2,693,934
Unrestricted	3,711,584	1,820,143	20,874,686	17,447,859	24,586,270	19,268,002
Total net position	\$ 23,330,791	\$ 20,901,660	\$ 81,470,238	\$ 75,392,301	\$ 104,801,029	\$ 96,293,961

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 \$104,801,029 as of June 30, 2016. The City's net position increased by \$8,507,068 from the fiscal year ended June 30, 2016. The largest portion (74%) of the City's net position 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, \$2,871,093 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,586,270 is unrestricted.

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

- Achieving a tax collection percentage of 94.72%, a decrease of the prior year's percentage of 95.89%.

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- Reclassification of the City's pension trust fund for Law Enforcement Officer's Separation Allowance contributions in accordance with new accounting standards increased unrestricted net position by \$115,110.

City of Henderson's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,949,033	\$ 2,821,281	\$ 16,186,908	\$ 14,999,113	\$ 19,135,941	\$ 17,820,394
Operating grants and contributions	504,211	478,665	-	-	504,211	478,665
Capital grants and contributions	50,794	96,478	867,743	448,481	918,537	544,959
General revenues:						
Property taxes	6,401,674	5,969,044	-	-	6,401,674	5,969,044
Other taxes	33,455	117,026	-	-	33,455	117,026
Grants and contributions not restricted to specific programs	4,082,808	3,880,556	-	-	4,082,808	3,880,556
Other	183,389	217,295	293,331	252,236	476,720	469,531
Total revenues	14,205,364	13,580,345	17,347,982	15,699,830	31,553,346	29,280,175
Expenses:						
General government	1,496,470	1,563,433	-	-	1,496,470	1,563,433
Public safety	6,014,327	5,800,755	-	-	6,014,327	5,800,755
Planning and community development	326,690	254,659	-	-	326,690	254,659
Transportation and other	1,510,645	1,497,998	-	-	1,510,645	1,497,998
Environmental protection	836,546	822,787	-	-	836,546	822,787
Recreation and parks	1,385,641	1,276,472	-	-	1,385,641	1,276,472
Local agencies and shared programs	975,631	1,015,897	-	-	975,631	1,015,897
Interest on long-term debt	81,593	108,803	-	-	81,593	108,803
Water	-	-	5,247,823	5,043,339	5,247,823	5,043,339
Sewer	-	-	2,999,106	3,279,344	2,999,106	3,279,344
Regional Water System	-	-	2,286,916	2,490,451	2,286,916	2,490,451
Total expenses	12,627,543	12,340,804	10,533,845	10,813,134	23,161,388	23,153,938
Increase (decrease) in net position before transfers	1,577,821	1,239,541	6,814,137	4,886,696	8,391,958	6,126,237
Transfers	736,200	736,390	(736,200)	(736,390)	-	-
Extraordinary event: loss on settlement	-	-	-	-	-	-
Increase (decrease) in net position	2,314,021	1,975,931	6,077,937	4,150,306	8,391,958	6,126,237
Net position, July 1	20,901,660	19,831,365	75,392,301	71,591,273	96,293,961	91,422,638
Restatement	115,110	(905,636)	-	(349,278)	115,110	(1,254,914)
Net assets, July 1 (Restated)	21,016,770	18,925,729	75,392,301	71,241,995	96,409,071	90,167,724
Net position, June 30	\$ 23,330,791	\$ 20,901,660	\$ 81,470,238	\$ 75,392,301	\$ 104,801,029	\$ 96,293,961

Governmental activities. Governmental activities increased the City's net position by \$2,314,021. Key elements of this increase are as follows:

- Conservative spending on the part of City departments.

Business-type activities. Business-type activities increased the City of Henderson's net position by \$6,077,937. Key elements of this increase are as follows:

- Increases in the Water rate charged by 4%.
- Conservative spending on the part of business-type fund departments.

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 \$8,574,424, while total fund balance reached \$9,778,897. 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, 2016, General Fund unassigned fund balance totaled \$6,982,870, or 52.9% of General fund expenditures for the year then ended. 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. Per the calculation used by the LGC, the City's fund balance available as of June 30, 2016, is 65.0% of General Fund expenditures for the year then ended.

At June 30, 2016, the governmental funds of City of Henderson reported a combined fund balance of \$10,506,118 with a net increase in fund balance of \$1,860,382. The majority of that increase is in the General Fund.

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.

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Revenues came in over the budgeted amounts by \$1,095,434. Expenditures were less than budget by \$1,424,849 as departments were asked to be conservative in their spending and to remain in compliance 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 \$7,747,729 at the end of the fiscal year; the Sewer Fund amounted to \$4,708,380; and the Regional Water System Fund amounted to \$8,418,577. The total change in net position from current year activity for the Water, Sewer and Regional Water System Funds was \$1,540,554, \$2,153,112, and \$2,384,271, 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, 2016, totals \$104,995,342 (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:

- Public Works equipment purchases of \$223,658, primarily consisting of two vehicles and a jet-vac sewer truck.
- Public Safety equipment purchases of \$194,741, primarily consisting of five vehicles.
- Increases in CIP – General Fund construction in progress of \$45,559.
- Close-out of \$108,657 CIP – Powell Bill street repair project, now represented as a General Fund capital improvement.
- Increases in Water Fund construction in progress of \$71,887.
- Increases in Sewer Fund construction in progress of \$1,240,274.
- Increases in Regional Water System Fund construction in progress of \$220,450.
- Close-out of the \$1,165,897 20MGD Expansion construction project, now represented as part of the Regional Water System fund distribution system.
- Close-out of the \$111,380 Warren County Meter Relocation construction project, now represented as part of the Regional Water System fund distribution system.
- Close out of the \$142,773 KLRW Plant Containment Wall construction project, now represented as a Regional Water System capital improvement.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,515,183	\$ 1,515,183	\$ 2,077,368	\$ 2,077,368	\$ 3,592,551	\$ 3,592,551
Buildings and system Improvements other than buildings	14,778,385	15,162,051	15,669,306	16,243,435	30,447,691	31,405,486
Distribution Systems	685,041	565,034	142,297	-	827,338	565,034
Equipment & Vehicles	-	-	42,704,869	42,297,495	42,704,869	42,297,495
Construction in progress	864,349	578,693	892,424	548,698	1,756,773	1,127,391
Water Storage Rights	274,645	337,743	23,038,137	22,828,619	23,312,782	23,166,362
	-	-	2,375,336	2,375,336	2,375,336	2,375,336
Total	\$ 18,117,603	\$ 18,158,704	\$ 86,899,737	\$ 86,370,951	\$ 105,017,340	\$ 104,529,655

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, 2016, the City of Henderson had total debt outstanding of \$27,673,674, 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	
	2016	2015	2016	2015	2016	2015
Installment Loans	\$ 1,251,427	\$ 1,632,016	\$ 22,402,028	\$ 23,533,955	\$ 23,653,455	25,165,971
Capital Leases	89,804	139,105	108,415	171,555	198,219	310,660
Revenue bonds (private placement)	-	-	3,822,000	4,721,000	3,822,000	4,721,000
Total	\$ 1,341,231	\$ 1,771,121	\$ 26,332,443	\$ 28,426,510	\$ 27,673,674	\$ 30,197,631

City of Henderson’s Outstanding Debt

The City of Henderson’s total recorded debt decreased by \$2,523,957 (8.4%) during the past fiscal year, driven by the ongoing repayment of existing notes. 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

follows the amortization schedules. 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 \$80,009,921.

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.

- The City's population declined in the 2010 Decennial Census and there is minimal growth expected in the utility customer base, however recent annexations will help show some growth. This leaves few financial resources available for needed operations and capital support, thus the dependence on rate and fee increases.
- The City's unemployment rate is estimated at 7.5%, which represents an improvement from the prior year estimate of 9.4%.

Budget Highlights for the Fiscal Year Ending June 30, 2017

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. A revenue neutral tax increase was approved in the upcoming year's budget due to re-evaluation.

Sales taxes are the second largest revenue producer for the City's General fund and has realized collection increases for the last four years.

The third largest revenue producer for the City's General Fund is the sanitation fee. No increase was approved in the upcoming year's budget.

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

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expansion in many needed areas. There are no major new initiatives in the operations and some limited capital expenditures for the General Fund during FY 2017.

Business-type Activities: The water rates in the City increased 3% for FY 2017. Sewer rates and regional water system rates will remain unchanged for FY 2017 as the sewer rate was increased in FY 2016 by 9% while the regional water budget was slightly decreased for the current budget year.

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 Finance Director, Joey Fuqua, or City Manager, Frank Frazier, 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,988,239	\$ 18,888,714	\$ 27,876,953
Property taxes receivable, net	444,417	-	444,417
Accrued interest receivable on taxes	86,716	-	86,716
Accounts receivable, net	144,998	2,151,720	2,296,718
Due from other governments	1,070,290	-	1,070,290
Inventories	-	76,539	76,539
Current portion of notes receivable	-	43,750	43,750
Restricted cash and cash equivalents	<u>891,039</u>	<u>363,856</u>	<u>1,254,895</u>
Total current assets	11,625,699	21,524,579	33,150,278
Non-current assets			
Security deposits	-	142	142
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,789,828	27,490,841	29,280,669
Other capital assets, net of depreciation	<u>16,327,775</u>	<u>59,408,896</u>	<u>75,736,671</u>
Total capital assets	18,117,603	86,899,737	105,017,340
Notes receivable:			
Due in more than one year	<u>-</u>	<u>1,575,000</u>	<u>1,575,000</u>
Total non-current assets	<u>18,117,603</u>	<u>88,474,879</u>	<u>106,592,482</u>
Total assets	<u>29,743,302</u>	<u>109,999,458</u>	<u>139,742,760</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	<u>360,828</u>	<u>136,661</u>	<u>497,489</u>

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 587,647	\$ 239,681	\$ 827,328
Accrued interest payable	6,197	48,128	54,325
Current portion of long-term liabilities	583,541	2,534,586	3,118,127
Payable from restricted assets	-	335,598	335,598
Total current liabilities	<u>1,177,385</u>	<u>3,157,993</u>	<u>4,335,378</u>
Long-term liabilities			
Net pension liability – LGERS	430,352	165,558	595,910
Net pension liability – LEOSSA	260,371	-	260,371
Other liabilities due in more than one year	4,571,577	25,214,961	29,786,538
Total long-term liabilities	<u>5,262,300</u>	<u>25,380,519</u>	<u>30,642,819</u>
Total liabilities	<u>6,439,685</u>	<u>28,538,512</u>	<u>34,978,197</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	801	-	801
Pension deferrals	332,853	127,369	460,222
Total deferred inflows of resources	<u>333,654</u>	<u>127,369</u>	<u>461,023</u>
NET POSITION			
Net investment in capital assets	16,776,372	60,567,294	77,343,666
Restricted			
Perpetual maintenance	431,978	-	431,978
Stabilization by State Statute	1,204,473	-	1,204,473
Public Safety	321,185	-	321,185
Streets - Powell Bill	763,426	-	763,426
Planning and Community Development	30,699	-	30,699
Recreation and parks	5,484	-	5,484
Capital Reserves	85,590	-	85,590
Sewer Capital Projects	-	28,258	28,258
Unrestricted	<u>3,711,584</u>	<u>20,874,686</u>	<u>24,586,270</u>
Total net position	<u>\$ 23,330,791</u>	<u>\$ 81,470,238</u>	<u>\$ 104,801,029</u>

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2016

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	\$ 1,496,470	\$ -	\$ -	\$ -	\$ (1,496,470)	\$ -	\$ (1,496,470)
Public safety	6,014,327	128,590	4,230	30,794	(5,850,713)	-	(5,850,713)
Planning and community development	326,690	34,007	-	-	(292,683)	-	(292,683)
Public services							
Transportation and other	1,510,645	7,500	468,417	-	(1,034,728)	-	(1,034,728)
Environmental protection	836,546	1,880,993	9,812	-	1,054,259	-	1,054,259
Recreation and parks	1,385,641	897,943	21,752	20,000	(445,946)	-	(445,946)
Local agencies and shared programs	975,631	-	-	-	(975,631)	-	(975,631)
Interest on long-term debt	81,593	-	-	-	(81,593)	-	(81,593)
Total governmental activities	12,627,543	2,949,033	504,211	50,794	(9,123,505)	-	(9,123,505)
Business-type Activities:							
Water	5,247,823	6,222,331	-	-	-	974,508	974,508
Sewer	2,999,106	5,001,200	-	867,743	-	2,869,837	2,869,837
Regional Water System	2,286,916	4,963,377	-	-	-	2,676,461	2,676,461
Total business-type activities	10,533,845	16,186,908	-	867,743	-	6,520,806	6,520,806
Total primary government	\$ 23,161,388	\$ 19,135,941	\$ 504,211	\$ 918,537	(9,123,505)	6,520,806	(2,602,699)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					6,401,674	-	6,401,674
Other taxes					33,455	-	33,455
Grants and contributions not restricted to specific programs					4,082,808	-	4,082,808
Unrestricted investment earnings					23,227	52,144	75,371
Miscellaneous					160,162	241,187	401,349
Total general revenues not including transfers					10,701,326	293,331	10,994,657
Transfers					736,200	(736,200)	-
Total general revenues and transfers					11,437,526	(442,869)	10,994,657
Change in net position					2,314,021	6,077,937	8,391,958
Net position, beginning, previously reported					20,901,660	75,392,301	96,293,961
Restatement (Note VIII)					115,110	-	115,110
Total net position, as restated					21,016,770	75,392,301	96,409,071
Net position, ending					\$ 23,330,791	\$ 81,470,238	\$ 104,801,029

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

CITY OF HENDERSON, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,388,351	\$ 599,888	\$ 8,988,239
Restricted cash and cash equivalents	763,426	127,613	891,039
Property tax receivable, net	444,417	-	444,417
Accounts receivable, net	144,998	-	144,998
Due from other governments	1,059,475	10,815	1,070,290
Due from other funds	(3,605)	3,605	-
Total assets	<u>\$ 10,797,062</u>	<u>\$ 741,921</u>	<u>\$ 11,538,983</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 572,947</u>	<u>\$ 14,700</u>	<u>\$ 587,647</u>
Total liabilities	<u>572,947</u>	<u>14,700</u>	<u>587,647</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	444,417	-	444,417
Prepaid taxes	801	-	801
Total deferred inflows of resources	<u>445,218</u>	<u>-</u>	<u>445,218</u>
FUND BALANCES			
Non Spendable			
Perpetual maintenance	-	431,978	431,978
Restricted			
Stabilization by State Statute	1,204,473	-	1,204,473
Streets - Powell Bill	763,426	-	763,426
Public Safety	315,165	6,020	321,185
Planning and Community Development	-	30,699	30,699
Recreation and Parks	-	5,484	5,484
Capital reserves	-	85,590	85,590
Committed			
Public Safety - LEO Pension Contributions	115,347	-	115,347
Assigned			
Public Safety - Fire Prevention	1,713	-	1,713
Recreation and parks	45,903	-	45,903
Capital project funds	-	167,450	167,450
Subsequent year's expenditures	350,000	-	350,000
Unassigned	<u>6,982,870</u>	<u>-</u>	<u>6,982,870</u>
Total fund balances	<u>9,778,897</u>	<u>727,221</u>	<u>10,506,118</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,797,062</u>	<u>\$ 741,921</u>	<u>\$ 11,538,983</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, 2016

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

Total Fund Balance, Governmental Funds	\$	10,506,118
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	42,238,926
Accumulated depreciation		<u>(24,121,323)</u>
		18,117,603
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		360,828
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		86,716
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		444,417
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension obligation – LGERS		(430,352)
Net pension obligation – LEOSSA		(260,371)
Other liabilities due in more than one year		<u>(5,155,118)</u>
		(5,845,841)
Pension related deferrals		(332,853)
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		<u>(6,197)</u>
Net position of governmental funds	\$	<u>23,330,791</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, 2016

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 6,319,302	\$ -	\$ 6,319,302
Other taxes and licenses	33,455	-	33,455
Unrestricted intergovernmental	4,082,808	-	4,082,808
Restricted intergovernmental	480,479	30,794	511,273
Permits and fees	128,590	-	128,590
Sales and services	2,807,156	-	2,807,156
Investment earnings	22,188	1,039	23,227
Miscellaneous	176,906	40,275	217,181
Total revenues	<u>14,050,884</u>	<u>72,108</u>	<u>14,122,992</u>
EXPENDITURES			
Current:			
General government	1,047,886	-	1,047,886
Public safety	5,915,900	37,030	5,952,930
Planning and community development	331,623	17,909	349,532
Public services:			
Transportation and other	1,472,296	-	1,472,296
Environmental protection	999,201	-	999,201
Recreation and parks	1,289,860	19,516	1,309,376
Non-departmental:			
Local agencies and shared programs	975,631	-	975,631
General non-departmental	380,192	-	380,192
Debt service:			
Principal	647,016	-	647,016
Interest and other charges	79,043	-	79,043
Lease purchases	52,134	-	52,134
Total expenditures	<u>13,190,782</u>	<u>74,455</u>	<u>13,265,237</u>
Excess (deficiency) of revenues over expenditures	<u>860,102</u>	<u>(2,347)</u>	<u>857,755</u>
OTHER FINANCING SOURCES (USES)			
Installment note proceeds	266,427	-	266,427
Transfers from other funds	863,200	3,605	866,805
Transfers (to) other funds	(100,705)	(29,900)	(130,605)
Total other financing sources (uses)	<u>1,028,922</u>	<u>(26,295)</u>	<u>1,002,627</u>
Net change in fund balance	1,889,024	(28,642)	1,860,382
FUND BALANCES, beginning	7,774,763	755,863	8,530,626
Restatement (Note VIII)	115,110	-	115,110
FUND BALANCES, ending	<u>\$ 9,778,897</u>	<u>\$ 727,221</u>	<u>\$ 10,506,118</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, 2016

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

Net changes in fund balances - total governmental funds	\$	1,860,382
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	559,883	
Depreciation expense for governmental assets	<u>(600,983)</u>	(41,100)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		360,828
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	77,099	
Change in accrued interest on taxes receivable	<u>5,273</u>	82,372
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction 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.</p>		
Issuance of long-term debt	(266,427)	
Principal payments on long-term debt	696,318	
Change in accrued interest payable	<u>282</u>	430,173
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(15,645)	
Pension expense	(204,954)	
Net LEO pension obligation	(4,628)	
Other postemployment benefits	<u>(153,407)</u>	<u>(378,634)</u>
Total adjustments		<u>453,639</u>
Total changes in net position of governmental activities	\$	<u><u>2,314,021</u></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 – Budget and Actual
General Fund
For the Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 5,964,800	\$ 5,964,800	\$ 6,319,302	\$ 354,502
Other taxes and licenses	15,000	15,000	33,455	18,455
Unrestricted intergovernmental	3,583,600	3,583,600	4,082,808	499,208
Restricted intergovernmental	463,000	463,000	480,479	17,479
Permits and fees	115,000	115,000	128,590	13,590
Sales and services	2,795,700	2,795,700	2,807,156	11,456
Investment earnings	4,000	4,000	22,188	18,188
Miscellaneous	7,500	14,350	176,906	162,556
Total revenues	<u>12,948,600</u>	<u>12,955,450</u>	<u>14,050,884</u>	<u>1,095,434</u>
EXPENDITURES				
Current:				
General government	1,278,000	1,275,393	1,047,886	227,507
Public safety	6,457,700	6,468,070	5,915,900	552,170
Planning and community development	353,800	353,800	331,623	22,177
Public services:				
Transportation and other	1,620,100	1,619,984	1,472,296	147,688
Environmental protection	1,160,000	1,097,206	999,201	98,005
Recreation and parks	1,417,100	1,429,428	1,289,860	139,568
Non-departmental:				
Local agencies and shared programs	1,058,000	1,058,000	975,631	82,369
General non-departmental	534,500	535,350	380,192	155,158
Debt service:				
Lease purchase payments	52,200	52,200	52,134	66
Principal	647,100	647,100	647,016	84
Interest and other charges	79,100	79,100	79,043	57
Total expenditures	<u>14,657,600</u>	<u>14,615,631</u>	<u>13,190,782</u>	<u>1,424,849</u>
Excess (deficiency) of revenues over expenditures	<u>(1,709,000)</u>	<u>(1,660,181)</u>	<u>860,102</u>	<u>2,520,283</u>
OTHER FINANCING SOURCES (USES)				
Installment note proceeds	339,300	266,427	266,427	-
Transfers from other funds	833,300	840,734	863,200	22,466
Transfers (to) other funds	(97,100)	(100,850)	(100,705)	145
Total other financing sources (uses)	<u>1,075,500</u>	<u>1,006,311</u>	<u>1,028,922</u>	<u>22,611</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(633,500)</u>	<u>(653,870)</u>	<u>1,889,024</u>	<u>2,542,894</u>
Fund balance appropriated	633,500	653,870	-	(653,870)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,889,024</u>	<u>\$ 1,889,024</u>
FUND BALANCES, beginning			7,774,763	
Restatement (Note VIII)			<u>115,110</u>	
FUND BALANCES, ending			<u>\$ 9,778,897</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, 2016

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,838,037	\$ 4,392,203	\$ 8,658,474	\$ 18,888,714
Accounts receivable				
Customer receivables (net)	576,760	518,425	147,243	1,242,428
Capital project receivables	238,203	671,089	-	909,292
Inventories	-	18,697	57,842	76,539
Current portion of notes receivable	43,750	-	-	43,750
Restricted cash and cash equivalents	<u>335,598</u>	<u>28,258</u>	<u>-</u>	<u>363,856</u>
Total current assets	7,032,348	5,628,672	8,863,559	21,524,579
Non-current assets				
Security deposits	142	-	-	142
Capital assets				
Land, non-depreciable assets, and construction in progress	3,918,795	19,010,011	4,562,035	27,490,841
Other capital assets, net of depreciation	<u>15,755,301</u>	<u>23,762,395</u>	<u>19,891,200</u>	<u>59,408,896</u>
Total capital assets	19,674,096	42,772,406	24,453,235	86,899,737
Notes receivable				
Due in more than one year	<u>1,575,000</u>	<u>-</u>	<u>-</u>	<u>1,575,000</u>
Total non-current assets	<u>21,249,238</u>	<u>42,772,406</u>	<u>24,453,235</u>	<u>88,474,879</u>
Total assets	<u>28,281,586</u>	<u>48,401,078</u>	<u>33,316,794</u>	<u>109,999,458</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	<u>51,188</u>	<u>56,681</u>	<u>28,792</u>	<u>136,661</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, 2016

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	50,393	129,084	60,204	239,681
Accrued interest payable	16,241	4,971	26,916	48,128
Current portion of long-term liabilities	1,132,805	1,106,480	295,301	2,534,586
Liabilities payable from restricted assets				
Customer/security deposits	<u>335,598</u>	<u>-</u>	<u>-</u>	<u>335,598</u>
Total current liabilities	1,535,037	1,240,535	382,421	3,157,993
Long-term liabilities				
Other postemployment benefits	360,206	639,390	297,691	1,297,287
Compensated absences payable	24,521	21,022	3,387	48,930
Net pension liability	57,043	71,073	37,442	165,558
Notes payable due in more than one year	<u>5,012,820</u>	<u>15,928,160</u>	<u>2,927,764</u>	<u>23,868,744</u>
Total long-term liabilities	<u>5,454,590</u>	<u>16,659,645</u>	<u>3,266,284</u>	<u>25,380,519</u>
Total liabilities	<u>6,989,627</u>	<u>17,900,180</u>	<u>3,648,705</u>	<u>28,538,512</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>45,177</u>	<u>54,086</u>	<u>28,106</u>	<u>127,369</u>
NET POSITION				
Net investment in capital assets	13,550,241	25,766,855	21,250,198	60,567,294
Restricted				
Sewer Capital Projects	-	28,258	-	28,258
Unrestricted	<u>7,747,729</u>	<u>4,708,380</u>	<u>8,418,577</u>	<u>20,874,686</u>
Total net position	<u>\$ 21,297,970</u>	<u>\$ 30,503,493</u>	<u>\$ 29,668,775</u>	<u>\$ 81,470,238</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, 2016

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
OPERATING REVENUES				
Charges for services	\$ 6,157,033	\$ 4,989,296	\$ 4,955,200	\$ 16,101,529
Water reservation fees	9,125	-	-	9,125
Tap fees	37,118	5,750	-	42,868
Other operating revenues	19,055	6,154	8,177	33,386
Total operating revenues	<u>6,222,331</u>	<u>5,001,200</u>	<u>4,963,377</u>	<u>16,186,908</u>
OPERATING EXPENSES				
Administration and engineering	234,602	-	-	234,602
Public services administration	92,900	-	-	92,900
Water distribution operations	3,969,420	-	-	3,969,420
Customer service	445,346	-	-	445,346
Water reclamation facility	-	1,724,553	-	1,724,553
Sewer collection operations	-	291,178	-	291,178
Sewer I & I operations	-	162,823	-	162,823
Regional water plant	-	-	1,665,742	1,665,742
Non-departmental	23,134	24,068	21,442	68,644
Depreciation	362,093	775,526	489,983	1,627,602
Total operating expenditures	<u>5,127,495</u>	<u>2,978,148</u>	<u>2,177,167</u>	<u>10,282,810</u>
Operating income (loss)	<u>1,094,836</u>	<u>2,023,052</u>	<u>2,786,210</u>	<u>5,904,098</u>
NONOPERATING REVENUES				
(EXPENSES)				
Investment earnings	25,835	10,485	15,824	52,144
Sprint / T-Mobile agreements	53,799	-	-	53,799
Vance County	-	132,490	-	132,490
Insurance proceeds	6,283	-	-	6,283
Sales tax refund	11,428	-	7,187	18,615
Interest and other charges	(120,327)	(20,958)	(109,750)	(251,035)
Revision on settlement (Note II.B.5)	30,000	-	-	30,000
Total other financing sources (uses)	<u>7,018</u>	<u>122,017</u>	<u>(86,739)</u>	<u>42,296</u>
Income (loss) before contributions and transfers	1,101,854	2,145,069	2,699,471	5,946,394
Capital contributions	-	867,743	-	867,743
Transfers from other funds	800,000	-	-	800,000
Transfers (to) other funds	<u>(361,300)</u>	<u>(859,700)</u>	<u>(315,200)</u>	<u>(1,536,200)</u>
Change in net position	<u>1,540,554</u>	<u>2,153,112</u>	<u>2,384,271</u>	<u>6,077,937</u>
Total net position, beginning	<u>19,757,416</u>	<u>28,350,381</u>	<u>27,284,504</u>	<u>75,392,301</u>
Total net position, ending	<u>\$ 21,297,970</u>	<u>\$ 30,503,493</u>	<u>\$ 29,668,775</u>	<u>\$ 81,470,238</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, 2016

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,222,158	\$ 4,975,445	\$ 4,980,468	\$ 16,178,071
Cash paid for goods and services	(3,989,513)	(1,416,154)	(1,335,954)	(6,741,621)
Cash paid to or on behalf of employees for services	(790,066)	(835,636)	(424,323)	(2,050,025)
Net cash provided (used) by operating activities	1,442,579	2,723,655	3,220,191	7,386,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sprint / T-Mobile agreements	53,799	-	-	53,799
Insurance proceeds	6,283	-	-	6,283
Cash paid on settlement (Note II.B.5)	(1,823,416)	-	-	(1,823,416)
Vance County	-	132,490	-	132,490
Transfers from other funds	800,000	-	-	800,000
Transfers to other funds	(361,300)	(859,700)	(315,200)	(1,536,200)
Net cash provided (used) by noncapital financing activities	(1,324,634)	(727,210)	(315,200)	(2,367,044)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition/construction of capital assets	(226,505)	(1,606,683)	(847,422)	(2,680,610)
Financing for acquisition/construction of capital assets	64,568	533,034	548,919	1,146,521
Capital contributions	-	706,921	-	706,921
Principal paid on bond and equipment contracts	(1,086,866)	(1,080,539)	(791,496)	(2,958,901)
Interest paid on bond and equipment contracts	(123,668)	(18,915)	(116,981)	(259,564)
Net cash provided (used) by capital and related financing activities	(1,372,471)	(1,466,182)	(1,206,980)	(4,045,633)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	25,835	10,485	15,824	52,144
Net cash provided (used) by investing activities	25,835	10,485	15,824	52,144
Net increase (decrease) in cash and cash equivalents	(1,228,691)	540,748	1,713,835	1,025,892
Balances, beginning	7,402,326	3,879,713	6,944,639	18,226,678
Balances, ending	\$ 6,173,635	\$ 4,420,461	\$ 8,658,474	\$ 19,252,570

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, 2016

	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	\$ 1,094,836	\$ 2,023,052	\$ 2,786,210	\$ 5,904,098
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	362,093	775,526	489,983	1,627,602
Pension expense				-
Changes in assets, deferred in/outflows and liabilities:				
(Increase) decrease in-				
Customer receivables	(42,548)	(25,755)	17,091	(51,212)
Notes receivable - Water Reservation	43,750	-	-	43,750
Inventory	-	(4,533)	(12,273)	(16,806)
Net pension asset	79,182	100,626	53,259	233,067
Deferred outflows of resources for pensions	(2,675)	4,970	3,838	6,133
Increase (decrease) in-				
Accounts payable and accrued liabilities	(22,893)	(48,636)	(63,282)	(134,811)
Customer/security deposits	(1,375)	-	-	(1,375)
Accrued OPEB liability	22,472	23,906	12,280	58,658
Accrued vacation pay	8,358	4,573	2,626	15,557
Net pension liability	57,043	71,073	37,442	165,558
Deferred inflows of resources for pensions	(155,664)	(201,147)	(106,983)	(463,794)
Total adjustments	<u>347,743</u>	<u>700,603</u>	<u>433,981</u>	<u>1,482,327</u>
Net cash provided by operating activities	<u>\$ 1,442,579</u>	<u>\$ 2,723,655</u>	<u>\$ 3,220,191</u>	<u>\$ 7,386,425</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, 2016

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, 2016

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: Grants Fund. This fund is 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. The City additionally maintains enterprise funds for budgetary purposes which are consolidated with their respective operating fund for reporting purposes. The Water Capital Project Fund and water-related components of the Capital Reserve Utilities Fund and Rate Stabilization Fund are consolidated in this manner.

Sewer Fund. This fund is used to account for the general operations and user charges collected for the sewer services provided by the City. The City additionally maintains enterprise funds for budgetary purposes which are consolidated with their respective operating fund for reporting purposes. The Sewer Capital Project Fund and sewer-related components of the Capital Reserve Utilities Fund and Rate Stabilization Fund are consolidated in this manner.

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 additionally maintains enterprise funds for budgetary purposes which are consolidated with their respective operating fund for reporting purposes. The Regional Water Capital Project Fund and the Regional Water Reserve Fund are consolidated in this manner.

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
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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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Henderson because the tax is levied by Vance County and then remitted to and distributed by the State. 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
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For the Fiscal Year Ended June 30, 2016

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 City Council. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council 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 Council-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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

City of Henderson Restricted Cash

Governmental Activities

General Fund:

Powell Bill	Streets	\$ 763,426
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Grants Fund:

Bureau of Justice Grant	Public Safety	1,360
Walmart Community Grant	Public Safety	4,480
Julia Avenue Project	Planning & Community Dev.	30,699
Triangle North Healthcare	Recreation and parks	5,484

Capital Reserve General Fund	Capital Reserves	69,762
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Capital Reserve Economic Development Fund	Capital Reserves	15,828
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Total Governmental Activities		<u>891,039</u>
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Business-type Activities

Water Fund	Customer Deposits	335,598
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Sewer Fund	Sewer Capital Projects	<u>28,258</u>
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Total Governmental Activities		<u>363,856</u>
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Total restricted cash		<u>\$ 1,254,895</u>
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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, 2015.

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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

7. Notes Receivable

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

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 with an estimated useful life of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	25
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. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year.

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 several items that meet the criterion for this category—prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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)].

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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 Public Safety – This amount represents both: (a) the balance of drug tax/forfeiture funds available for appropriation but legally segregated for use to deter and investigate crimes, and (b), the balance of unexpended grant funding restricted by grantors for the completion of specific projects pertaining to public safety.

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

Restricted for Recreation and Parks – portion of fund balance that is restricted by grantors for the completion of specific projects. This amount represents unexpended grant funding.

Restricted for Capital Reserves – portion of fund balance restricted by general statute for future use in projects defined by capital reserve ordinances.

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.

Committed for Public Safety - LEO Pension Contributions - portion of fund balance committed by the City Council for the purpose of Law Enforcement Officer’s Special Separation Allowance (LEOSSA) contributions.

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 Public Safety - Fire Prevention – portion of fund balance representing the unexpended portion of unrestricted donations.

Assigned for Recreation and Parks – portion of fund balance representing the unexpended portion of unrestricted donations.

Assigned for Capital Project funds – portion of fund balance that has been budgeted by the City Council 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

13. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Henderson's employer contributions are recognized when due and the City of Henderson has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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 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, 2016 the City's deposits had a carrying amount of \$11,891,246 and a bank balance of \$12,054,039. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the City had petty cash of \$2,140.

2. Investments

At June 30, 2016, the City had \$17,238,461 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

3. Receivables

a. Due from Other Governments

Due from other governments that is owned to the City of Henderson consists of the following:

General Fund	
Tax collection remittances	\$ 86,044
State shared revenues:	
Local option sales tax	522,794
Other	223,712
Sales tax refund	144,758
Vance County contracts	82,167
Grants Fund	
Grants receivable	<u>10,815</u>
Total	<u>\$ 1,070,290</u>

b. Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016, are net of the following allowances for doubtful accounts:

General Fund:	
Property taxes receivable	\$ 170,000
Accounts receivable	<u>217,380</u>
Total	<u>387,380</u>
Water Fund:	
Customer receivables	<u>154,310</u>
Sewer Fund:	
Customer receivables	<u>173,278</u>

4. Notes Receivable – Water Reservation Agreements

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 31, 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The City's notes receivable at June 30, 2016 total as follows:

Water Fund:

Vance County	\$ <u>1,618,750</u>
Less: current portion	(43,750)
Non-current receivable	\$ <u>1,575,000</u>

Minimum future payments due on notes receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 43,750	\$ -	\$ 43,750
2018	43,750	-	43,750
2019	43,750	-	43,750
2020	43,750	-	43,750
2021	43,750	-	43,750
2022-2026	218,750	-	218,750
2027-2031	218,750	-	218,750
2032-2036	218,750	-	218,750
2037-2041	218,750	-	218,750
2042-2046	218,750	-	218,750
2047-2051	218,750	-	218,750
2052	87,500	-	87,500
Total	\$ 1,618,750	\$ -	\$ 1,618,750

5. Capital Assets

Capital asset activity for the City of Henderson for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,515,183	\$ -	\$ -	\$ 1,515,183
Construction in progress	337,743	45,559	108,657	274,645
Total capital assets not being depreciated	1,852,926	45,559	108,657	1,789,828
Capital assets being depreciated:				
Buildings	17,663,793	-	-	17,663,793
Other improvements	13,138,248	147,867	-	13,286,115
Equipment and vehicles	9,024,077	475,113	-	9,499,190
Total capital assets being depreciated	39,826,118	622,980	-	40,449,098
Less accumulated depreciation for:				
Buildings	2,501,742	383,666	-	2,885,408
Other improvements	12,573,214	27,860	-	12,601,074
Equipment and vehicles	8,445,384	189,457	-	8,634,841
Total accumulated depreciation	23,520,340	600,983	-	24,121,323
Total capital assets being depreciated, net	16,305,778			16,327,775
Governmental activity capital assets, net	\$ 18,158,704			\$ 18,117,603

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

General government	\$ 79,573
Public safety	247,713
Planning and community development	20,120
Public services –	
Transportation and other	122,865
Environmental protection	14,201
Recreation and parks	<u>116,511</u>
Total depreciation expense	<u>\$ 600,983</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type Activities</u>				
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 1,710,560	\$ -	\$ -	\$ 1,710,560
Construction in progress	<u>2,136,348</u>	<u>71,887</u>	-	<u>2,208,235</u>
Total capital assets not being depreciated	3,846,908	71,887	-	3,918,795
Capital assets being depreciated:				
Buildings	1,859,228	-	-	1,859,228
Distribution system	19,569,467	60,000	-	19,629,467
Equipment and vehicles	<u>823,823</u>	<u>93,598</u>	-	<u>917,421</u>
Total capital assets being depreciated	22,252,518	153,598	-	22,406,116
Less accumulated depreciation for:				
Buildings	474,554	22,880	-	497,434
Distribution system	5,179,005	281,874	-	5,460,879
Equipment and vehicles	<u>635,162</u>	<u>57,339</u>	-	<u>692,501</u>
Total accumulated depreciation	<u>6,288,721</u>	<u>362,093</u>	-	<u>6,650,814</u>
Total capital assets being depreciated, net	<u>15,963,797</u>			<u>15,755,301</u>
Water capital assets, net	<u>19,810,705</u>			<u>19,674,096</u>
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	211,136	-	-	211,136
Construction in progress	<u>17,558,601</u>	<u>1,240,274</u>	-	<u>18,798,875</u>
Total capital assets not being depreciated	17,769,737	1,240,274	-	19,010,011
Capital assets being depreciated:				
Buildings	24,197,822	-	-	24,197,822
Distribution system	15,566,524	-	-	15,566,524
Equipment and vehicles	<u>2,072,951</u>	<u>365,223</u>	-	<u>2,438,174</u>
Total capital assets being depreciated	41,837,297	365,223	-	42,202,520
Less accumulated depreciation for:				
Buildings	12,290,367	481,774	-	12,772,141
Distribution system	3,495,719	224,858	-	3,720,577
Equipment and vehicles	<u>1,878,513</u>	<u>68,894</u>	-	<u>1,947,407</u>
Total accumulated depreciation	<u>17,664,599</u>	<u>775,526</u>	-	<u>18,440,125</u>
Total capital assets being depreciated, net	<u>24,172,698</u>			<u>23,762,395</u>
Sewer capital assets, net	<u>41,942,435</u>			<u>42,772,406</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
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	<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
Water storage rights	2,375,336	-	-	2,375,336
Construction in progress	<u>3,133,670</u>	<u>317,405</u>	<u>1,420,048</u>	<u>2,031,027</u>
Total capital assets not being depreciated	5,664,678	317,405	1,420,048	4,562,035
Capital assets being depreciated:				
Buildings	6,808,289	-	-	6,808,289
Improvements	-	142,773	-	142,773
Distribution system	20,939,534	1,277,276	-	22,216,810
Equipment and vehicles	<u>821,098</u>	<u>8,000</u>	-	<u>829,098</u>
Total capital assets being depreciated	28,568,921	1,428,049	-	29,996,970
Less accumulated depreciation for:				
Buildings	3,825,341	101,117	-	3,926,458
Improvements	-	476	-	476
Distribution system	5,187,408	339,068	-	5,526,476
Equipment and vehicles	<u>603,039</u>	<u>49,322</u>	-	<u>652,361</u>
Total accumulated depreciation	<u>9,615,788</u>	<u>489,983</u>	-	<u>10,105,771</u>
Total capital assets being depreciated, net	<u>18,953,133</u>			<u>19,891,200</u>
Regional Water capital assets, net	<u>24,617,811</u>			<u>24,453,235</u>
Business-type activities capital assets, net	<u>\$ 86,370,951</u>			<u>\$ 86,899,737</u>

Intangible Asset – Water Storage Rights

The Regional Water System entered into a Water Storage Agreement with the US Army Corps of Engineers, effective March 17, 2006. Under the terms of this agreement, the Regional Water System has secured the rights to utilize 1.05% of the John H. Kerr Reservoir. The agreement requires repayment of first cost of storage totaling \$2,375,336 in 30 annual installments, as disclosed in Note II.B.6.b, below. The agreement additionally requires payments of joint-use repair, rehabilitation and replacement costs as well as annual operation and maintenance costs. Upon completion of the repayment of the first cost, the Regional Water System shall have a permanent right to the use of the water supply storage space, subject to continued payment of annual operation and maintenance costs. Accordingly, the City considers this asset to have an indefinite useful life.

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Construction Commitments

The government has active construction projects as of June 30, 2016. At year-end, the government's commitments with contracts are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Business-Type Activities:		
Water Fund Capital Projects		
Young Ave. Asbestos Repl.	\$ -	\$ 251,905
Sewer Fund Capital Projects		
HWRP Improvements	14,643,396	1,151,972
Sandy Creek Pump Station	1,452,679	5,519
RWS Fund Capital Projects		
Pipe Repair Project	99,714	286
Business-Type Activities Total	<u>\$ 16,195,789</u>	<u>\$ 1,409,682</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

i. Plan Description

The City of Henderson is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, or at www.osc.nc.gov.

ii. Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to

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

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

iii. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Henderson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Henderson's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.81% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Henderson were \$497,489 for the year ended June 30, 2016.

iv. Refunds of Contributions

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

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

At June 30, 2016, the City reported a liability of \$595,909 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.1328%, which was a decrease of 0.0092% from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2016, the City recognized pension expense of \$282,578. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 140,073
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	169,653
Changes in proportion and differences between City contributions and proportionate share of contributions	-	150,496
City contributions subsequent to the measurement date	497,489	-
	\$ 497,489	\$ 460,222

\$497,489 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (241,597)
2018	(241,597)
2019	(241,174)
2020	264,146
2021	-
Thereafter	-

vi. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

vii. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

viii. Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 4,155,357	\$ 595,909	\$ (2,402,847)

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ix. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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.

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, 2015 the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>53</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. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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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. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return and (b) projected salary increases ranging from 3.50% to 7.35% 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 on level dollar closed basis. The remaining amortization period at December 31, 2015 was 15 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	\$ 112,217
Interest on net pension obligation	12,787
Adjustment to annual required contribution	<u>(22,474)</u>
Annual pension cost	102,530
Contributions made	<u>(97,902)</u>
Increase (decrease) in net pension obligations	4,628
Net pension obligation, beginning of year	<u>255,743</u>
Net pension obligation, end of year	<u>\$ 260,371</u>

Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduced the net pension obligation.

v. Funded Status and Funding Progress

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 88,157	102.32%	\$ 259,550
2015	106,415	103.58%	255,743
2016	102,530	95.49%	260,371

As of December 31, 2015 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits (AAL) was \$1,267,027 and the unfunded actuarial accrued liability (UAAL) was \$1,267,027. The covered payroll (annual payroll of active employees covered by the plan) was \$2,232,177, and the ratio of the UAAL to the covered payroll was 56.76 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

CITY OF HENDERSON, NORTH CAROLINA
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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 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 is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$123,360, which consisted of \$96,689 from the City and \$26,671 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 (FRSWPF), 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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 Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

ii. *Benefits Provided*

FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and

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contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

iii. Contributions

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. The State's contribution on behalf of the City is immaterial to the City's financial statements.

iv. Refunds of Contributions

Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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.

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.

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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).

Membership of the plan consisted of the following at December 31, 2015, the date of the last actuarial valuation:

Active Members	
Law Enforcement Officers	47
Firefighters	33
General Employees	<u>128</u>
Total	208
Retired Members	92

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. Retirees may continue dependent coverage until the dependent becomes eligible for Medicare (and pay the full premium amount for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.97% of annual covered payroll. For the current year, the city contributed \$425,537 or 6.06% of annual covered payroll. The city obtains healthcare coverage through private insurers. 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.

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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	\$ 629,538
Interest on net OPEB obligation	180,439
Adjustment to annual required contribution	<u>(172,375)</u>
Annual OPEB cost	637,602
Contributions made	<u>(425,537)</u>
Increase (decrease) in net OPEB obligation	212,065
Net OPEB obligation, beginning of year	<u>4,510,973</u>
Net OPEB obligation, end of year	<u>\$ 4,723,038</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 700,207	54.92%	\$ 4,245,792
2015	618,792	57.15%	4,510,973
2016	637,602	66.74%	4,723,038

v. Funded Status and Funding Progress

As of December 31, 2015, 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 \$12,841,598. The covered payroll (annual payroll of active employees covered by the plan) was \$7,021,835, and the ratio of the UAAL to the covered payroll was 182.88%. 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

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actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 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 7.75 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, 2015 was 30 years.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 497,489

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

Source	Amount
Property taxes receivable (General Fund)	\$ 444,417
Prepaid taxes (General Fund)	801
Pension deferrals	332,853

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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 liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The City does not carry any flood insurance.

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorneys, 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 a water reservation agreement between the City of Henderson and Granville County. On November 10, 2014, the Henderson City Council approved a settlement agreement to be effective upon the execution date by all parties to the Regional Water System. The settlement called for the dismissal of all pending claims by the City of Oxford and includes a termination of utilities sale agreement that will conclude the water reservation agreement between the City of Henderson and Granville County. The City of Henderson recognized the financial effects of the proposed settlement as of June 30, 2014, as the event was deemed probable to occur in the opinion of the City's management and outside counsel for this case. The settlement became effective during the current fiscal year for \$1,823,416, which was \$30,000 less than had been previously estimated. The City has recognized the revision to the estimate as a non-operating revenue within the Water Fund for the year ended June 30, 2016.

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>
Backhoe, Service Truck, Tractor, and Dump Truck	04/30/2013	3 annual payments of \$65,759, and 2 payments of \$55,452
3 Ford Explorers and 2 Dodge Chargers	10/10/2014	5 annual payments of \$31,128

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The following is an analysis of the assets recorded under capital leases at June 30, 2016:

<u>Class of property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles and equipment	\$ 423,812	\$ 215,181	\$ 208,630

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental</u>	<u>Business-type</u>
2017	\$ 31,128	\$ 55,452
2018	31,128	55,452
2019	31,128	-
2020	-	-
2021	-	-
Total minimum lease payments	93,384	110,904
Less: amount representing interest	(3,580)	(2,489)
Present value of minimum lease payments	<u>\$ 89,804</u>	<u>\$ 108,415</u>

b. Notes Payable and Revolving Loans

At June 30, 2016, the City of Henderson had a legal debt margin of \$ 80,009,921.

Notes payable at June 30, 2016 are comprised of the following:

Serviced by the General Fund:

\$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. \$ 985,000

\$266,427 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the General Fund totals \$57,933. 266,427

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. 42,098

\$174,696, 2000 note payable to Warren County, North Carolina, in connection with a Water System Management Agreement and the construction of water lines. Payment is scheduled for 40 annual payments of \$10,356, including interest at 5.125%. 146,513

\$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 annual installments of \$14,696, with zero interest. 264,535

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

<p>\$1,831,483, 2014 revolving loan payable to the North Carolina Department of Environment and Natural Resources in 20 annual installments, with zero interest, for water line capital improvements. The annual payments are scheduled for one payment each of \$94,929 and \$88,220, followed by 18 payments of \$91,574.</p>	<p>\$ 1,736,554</p>
<p>\$64,568 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Water Fund totals \$14,056.</p>	<p>64,568</p>
<p>Serviced by the Sewer Fund:</p>	
<p>\$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.</p>	<p>115,285</p>
<p>\$494,391, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources in 20 annual installments of \$24,720 plus interest at 2% for sanitary sewer capital improvements.</p>	<p>420,232</p>
<p>\$15,956,703, 2014 revolving loan payable to the North Carolina Department of Environment and Natural Resources for capital improvements at the Henderson water reclamation facility. The capital project associated with this loan is ongoing as of June 30, 2016. Repayment of the total approved loan of \$16,115,000 was scheduled for 20 annual installments of \$805,750, with zero interest. Repayment began during the current fiscal year in accordance with this schedule. Future minimum principal payments may be revised.</p>	<p>15,150,953</p>
<p>\$815,181, 2015 revolving loan payable to the North Carolina Department of Environment and Natural Resources for pump station capital improvements. The capital project associated with this loan is ongoing as of June 30, 2016. Repayment of the total approved loan of \$848,437 was scheduled for 20 annual installments of \$42,422, with zero interest. Repayment began during the current fiscal year in accordance with this schedule. Future minimum principal payments may be revised.</p>	<p>772,759</p>
<p>\$340,080 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Sewer Fund totals \$73,974.</p>	<p>340,080</p>
<p>Serviced by the Regional Water Fund:</p>	
<p>\$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.</p>	<p>539,111</p>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

\$2,375,336, 2006 note payable to US Army Corps of Engineers in connection with a Water Storage Agreement, as described in Note II.A.5, above. Repayment is scheduled for 30 annual installments, with the interest rate and total payment to be adjusted at five year-intervals throughout the repayment period. The rate is the yield rate as determined by the Secretary of the Treasury plus 1/8%. The current payment is for \$136,224, including interest at 4.25% \$ 1,751,757

\$968,618, 2015 revolving loan payable to the North Carolina Department of Environment and Natural Resources, due in 20 annual installments with zero interest, for a high speed efficiency pump capital project. The annual payments are scheduled for one payment each of \$56,450 and \$40,412, followed by 18 payments of \$48,431. 912,168

Total Notes Payable described above at June 30, 2016 \$ 23,508,040

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
2017	\$ 398,153	\$ 57,453	\$ 1,484,902	\$ 127,654
2018	397,587	36,080	1,354,922	105,731
2019	343,875	18,093	1,366,537	93,623
2020	55,188	2,745	1,185,127	82,892
2021	56,624	1,308	1,190,240	77,284
2022-2026	-	-	5,573,681	316,372
2027-2031	-	-	5,674,270	203,424
2032-2036	-	-	4,378,576	83,432
2037-2041	-	-	39,471	6,778
2042	-	-	8,887	363
Total	<u>\$ 1,251,427</u>	<u>\$ 115,679</u>	<u>\$ 22,256,613</u>	<u>\$ 1,097,553</u>

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

As of June 30, 2016, the City of Henderson was subject to a revolving loan agreement for an ongoing capital project. The draw-down phase of this agreement is not yet completed, and repayment of the loan has not yet begun. The balance below is additionally included in notes payable as of June 30, 2016.

To be serviced by the Sewer Fund:

\$1,800,000, 2014 revolving loan payable to the North Carolina Department of Environment and Natural Resources for replacement of the Elmwood Cemetery sewer main. Repayment of the loan is scheduled for 20 years with interest at 2.00%. \$ 145,412

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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%.

\$ 3,822,000

The future payments of the revenue bond are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2017	\$ 925,000	\$ 91,728
2018	944,000	69,528
2019	966,000	46,872
2020	987,000	23,688
2021	-	-
Total	<u>\$ 3,822,000</u>	<u>\$ 231,816</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, 2016, are as follows:

	<u>Water and Sewer Funds</u>
<u>Parity debt</u>	
Income (loss) before contributions and transfers	\$ 3,224,925
Add back:	
Interest and other charges	141,285
Depreciation	<u>1,159,617</u>
Net revenues	<u>4,525,827</u>
Debt service, principal and interest (Revenue Refunding Bond only)	<u>1,012,302</u>
Debt coverage ratio	447%
Required debt coverage ratio	125%
<u>Subordinate debt</u>	
Net revenues	\$ 4,525,827
Less: parity debt service	<u>1,012,302</u>
Adjusted net revenues	<u>3,513,525</u>
Debt service, principal and interest (all, including capital leases)	1,459,953
Less: parity debt service	<u>1,012,302</u>
Debt service, excluding parity debt	<u>447,651</u>
Debt coverage ratio	785%
Required debt coverage ratio	100%

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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 \$4,053,816. Principal and interest paid for the current year was \$1,012,302.

e. Changes in General Long-Term Debt

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental Activities:					
Notes payable	\$ 1,632,016	\$ 266,427	\$ 647,016	\$ 1,251,427	\$ 398,153
Capital leases	139,105	-	49,301	89,804	29,350
Net pension liability-LGERS	-	430,352	-	430,352	-
Net pension liability-LEO	255,743	4,628	-	260,371	-
Other post-employment benefits	3,272,344	153,407	-	3,425,751	-
Compensated absences	372,491	158,723	143,078	388,136	156,038
Governmental activity long-term liabilities	<u>\$ 5,671,699</u>	<u>\$ 1,013,537</u>	<u>\$ 839,395</u>	<u>\$ 5,845,841</u>	<u>\$ 583,541</u>
Business-type Activities:					
Notes payable	\$ 23,533,955	\$ 864,835	\$ 1,996,762	\$ 22,402,028	\$ 1,484,902
Revenue bond	4,721,000	-	899,000	3,822,000	925,000
Capital leases	171,555	-	63,140	108,415	53,797
Net pension liability-LGERS	-	165,558	-	165,558	-
Other post-employment benefits	1,238,629	58,658	-	1,297,287	-
Compensated absences	104,259	80,577	65,020	119,816	70,887
Business-type activity long-term liabilities	<u>\$ 29,769,398</u>	<u>\$ 1,169,628</u>	<u>\$ 3,023,922</u>	<u>\$ 27,915,104</u>	<u>\$ 2,534,586</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, consist of the following:

Transfer due from General Fund to Grants Fund as match for Governor's Crime Commission grant funding	\$ 3,605
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Transfers to/from other funds at June 30, 2016 consist of the following:

Transfer From	Transfer To	
Totals by Purpose of Transfer		
Funding of grant and capital projects:		
General Fund	Grants Fund	\$ 3,605
Regional Water System Fund	RWS Capital Project Fund	633,754
Reversion of excess transfers:		
Grants Fund	General Fund	1,039
CIP Powell Bill Fund	General Fund	29,900
RWS Capital Project Fund	Regional Water System Fund	54,060

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Transfer From</u>	<u>Transfer To</u>	
Contributions to budgetary reserves:		
Water Fund	Capital Reserve Utilities Fund	\$ 7,100
Sewer Fund	Capital Reserve Utilities Fund	8,000
Regional Water System Fund	Regional Water Reserve Fund	612,100
Utilization of budgetary reserves:		
Rate Stabilization Fund	Water Fund	60,000
Regional Water Reserve Fund	Regional Water System Fund	100,000
Administrative support of proprietary funds:		
Water Fund	General Fund	361,300
Sewer Fund	General Fund	252,800
Sewer Fund	Water Fund	204,400
Regional Water System Fund	General Fund	219,200
Regional Water System Fund	Water Fund	80,000
Proprietary fund debt service:		
General Fund	Water Fund	97,100
Sewer Fund	Water Fund	401,500
Regional Water System Fund	Water Fund	16,000
Net Totals by Fund Type		
General Fund	Non-major Governmental Funds	\$ 3,605
Non-major Governmental Funds	General Fund	29,900
Net total – Non-major Govern. Funds	General Fund	26,295
General Fund	Major Enterprise Funds	\$ 97,100
Major Enterprise Funds	General Fund	833,300
Net total – Major Enterprise Funds	General Fund	736,200
Major Enterprise Funds	Major Enterprise Funds	\$ 702,900
Major Enterprise Funds	Non-major Enterprise Funds	\$ 1,106,894
Non-major Enterprise Funds	Major Enterprise Funds	60,000
Net total – Major Enterprise Funds	Non-major Enterprise Funds	1,048,694

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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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>	\$ 9,778,897
Less:	
Stabilization by State Statute	1,204,473
Public Safety – Asset Forfeiture	345,900
Streets – Powell Bill	763,426
Committed for LEO Pension Contributions	115,347
Assigned for Public Safety – Fire Prevention	1,713
Assigned for Recreation and Parks	45,903
Appropriated fund balance in 2016 budget	350,000
Remaining fund balance	6,952,135

The City Council established a policy in 2008 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, 2016, the unassigned fund balance is 41.63% of budgeted expenditures for fiscal year 2016-2017. Per the calculation used by the LGC, the City’s fund balance available for appropriation is 64.83% of fiscal year 2015-2016 expenditures.

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 \$9,358 to the Council during the fiscal year ended June 30, 2016.

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the Water Fund of the City of Henderson purchased water from the System totaling \$3,067,269. 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, 2016.

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 2016, the City's appropriation to the library totaled \$187,400. 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 property is recognized within the Building category of governmental activities' fixed assets.

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, 2016.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$28,800 to the Authority to supplement its activities during the fiscal year ended June 30, 2016. 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016. 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, 2016 and December 4, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

VII. 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.

VIII. Change in Accounting Principles/Restatement

In accordance with Governmental Accounting Standards Board (GASB) statement 73, the City reclassified the Law Enforcement Officers' Special Separation Allowance pension trust fund to the General Fund. As a result, net position for the governmental activities and fund balance for the General Fund each increased by \$115,110.

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)
12/31/2008	\$ 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%
12/31/2013	115,086	987,395	872,309	11.66%	2,076,305	42.01%
12/31/2014	115,110	977,045	861,935	11.78%	1,942,973	44.36%
12/31/2015	-	1,267,027	1,267,027	0.00%	2,232,177	56.76%

Notes to the Required Schedule

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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period:	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	3.50% - 7.35%
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)
12/31/2011	\$ -	\$ 10,161,543	\$ 10,161,543	0.00%	\$ 6,762,235	150.27%
12/31/2013	-	10,170,800	10,170,800	0.00%	7,018,925	144.91%
12/31/2015	-	12,841,598	12,841,598	0.00%	7,021,835	182.88%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2014	\$ 693,182	55.5%	\$ 384,551
2015	611,202	57.9%	353,611
2016	629,538	67.6%	425,537

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	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of Pay, open
Remaining amortization period:	30 Years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

CITY OF HENDERSON, NORTH CAROLINA
Local Government Employees' Retirement System
Required Supplementary Information
Last Three Fiscal Years*

Schedule of the Proportionate Share of Net Pension Liability (Asset)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Henderson's proportion of the net pension liability (asset) (%)	0.13278%	0.14199%	0.14680%
Henderson's proportion of the net pension liability (asset) (\$)	\$ 595,909	\$ (837,380)	\$ 1,769,504
Henderson's covered-employee payroll	\$ 7,216,506	\$ 7,219,054	\$ 6,962,920
Henderson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.26%	-11.60%	25.41%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Schedule of Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 497,415	\$ 513,039	\$ 514,589
Contributions in relation to the contractually required contribution	<u>497,489</u>	<u>513,039</u>	<u>514,589</u>
Contribution deficiency (excess)	<u>\$ (74)</u>	<u>\$ -</u>	<u>\$ -</u>
Henderson's covered-employee payroll	\$ 7,202,668	\$ 7,216,506	\$ 7,219,054
Contributions as a percentage of covered-employee payroll	6.91%	7.11%	7.13%

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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Ad valorem taxes				
Current year	\$ 5,300,000	\$ 5,467,583	\$ 167,583	\$ 5,388,726
Prior years	168,000	251,509	83,509	171,905
DMV motor vehicle tax collections	440,000	519,413	79,413	497,765
Penalties and interest	56,800	80,797	23,997	67,162
Total	<u>5,964,800</u>	<u>6,319,302</u>	<u>354,502</u>	<u>6,125,558</u>
Other taxes and licenses				
Privilege licenses	-	1,780	1,780	94,739
Vehicle rental tax	15,000	31,675	16,675	22,287
Total	<u>15,000</u>	<u>33,455</u>	<u>18,455</u>	<u>117,026</u>
Unrestricted intergovernmental				
Vance County ABC-5%	1,500	1,909	409	1,641
Utilities sales distributions (Franchise tax)	860,000	1,042,369	182,369	1,030,573
Local option sales tax	2,661,100	2,968,489	307,389	2,770,276
ABC net revenues	1,000	3,441	2,441	3,062
Beer and wine tax	60,000	66,600	6,600	72,504
Total	<u>3,583,600</u>	<u>4,082,808</u>	<u>499,208</u>	<u>3,878,056</u>
Restricted intergovernmental				
State Street Aid grant	450,000	447,503	(2,497)	451,764
DOT mowing / snow contract	4,000	20,914	16,914	12,143
Solid waste disposal tax	9,000	9,812	812	9,810
Bullet Proof Vest Grant	-	2,250	2,250	1,500
Total	<u>463,000</u>	<u>480,479</u>	<u>17,479</u>	<u>475,217</u>
Permits and fees				
Auto tags	100,000	105,320	5,320	111,260
Fire inspection fees and permits	15,000	23,270	8,270	20,628
Total	<u>115,000</u>	<u>128,590</u>	<u>13,590</u>	<u>131,888</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016			2015 Actual
	Budget	Actual	Variance Positive (Negative)	
Sales and services				
Recreation	\$ 45,000	\$ 59,357	\$ 14,357	\$ 49,342
Refuse collections	1,833,000	1,852,877	19,877	1,784,237
Misc. refuse collections	-	1,400	1,400	1,550
Leaf bags	1,000	1,379	379	1,511
Debt setoff-refuse collections	1,000	918	(82)	1,105
Bad debt recovery	1,000	1,661	661	1,069
Cemetery interment	10,000	7,500	(2,500)	14,250
Aquatics Center	70,000	102,449	32,449	83,870
Rental-Fox Pond Park	1,000	2,484	1,484	1,278
Demolition and lot cleaning	1,500	9,471	7,971	7,277
County contracts	813,600	733,653	(79,947)	714,086
Zoning and reclassification	18,600	34,007	15,407	29,818
Total	<u>2,795,700</u>	<u>2,807,156</u>	<u>11,456</u>	<u>2,689,393</u>
Investment earnings				
General Fund	4,000	20,509	16,509	6,651
Powell Bill	-	1,679	1,679	196
Total	<u>4,000</u>	<u>22,188</u>	<u>18,188</u>	<u>6,847</u>
Miscellaneous				
Parking violations	500	2,245	1,745	1,305
Drug tax/Forfeitures	-	40,744	40,744	127,287
Court fees and charges	5,000	3,813	(1,187)	5,434
Fire code violations	-	160	160	1,150
Recreation donations	6,850	16,752	9,902	3,448
Miscellaneous	2,000	9,204	7,204	37,350
Insurance proceeds	-	23,789	23,789	37,628
Sale of assets	-	80,199	80,199	160
Total	<u>14,350</u>	<u>176,906</u>	<u>162,556</u>	<u>213,762</u>
Total revenues	<u>12,955,450</u>	<u>14,050,884</u>	<u>1,095,434</u>	<u>13,637,747</u>
EXPENDITURES				
General Government				
Legislative				
Governing Body	177,501	173,498	4,003	165,591
City Attorney	62,570	62,596	(26)	72,554
Total Legislative	<u>240,071</u>	<u>236,094</u>	<u>3,977</u>	<u>238,145</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Administrative				
Administration	\$ 306,274	\$ 241,731	\$ 64,543	\$ 288,001
Human Resources	199,048	195,001	4,047	183,846
Finance	477,100	344,193	132,907	415,258
Information services	52,900	30,867	22,033	28,952
Total Administrative	<u>1,035,322</u>	<u>811,792</u>	<u>223,530</u>	<u>916,057</u>
 Total General Government	<u>1,275,393</u>	<u>1,047,886</u>	<u>227,507</u>	<u>1,154,202</u>
 Public safety				
Police	4,028,620	3,698,543	330,077	3,651,942
Police - asset forfeiture	284,750	131,041	153,709	130,462
Fire department	2,154,700	2,086,316	68,384	2,118,419
 Total Public safety	<u>6,468,070</u>	<u>5,915,900</u>	<u>552,170</u>	<u>5,900,823</u>
 Planning and community development				
Code compliance	-	-	-	139,560
Planning and community development	-	-	-	80,612
Main Street - downtown development	20,200	20,000	200	10,368
Development Services	333,600	311,623	21,977	6,081
Total Planning and community development	<u>353,800</u>	<u>331,623</u>	<u>22,177</u>	<u>236,621</u>
 Public services				
Transportation - Street maintenance	1,122,834	1,009,741	113,093	981,035
 Environmental protection - Sanitation	1,097,206	999,201	98,005	809,958
 Other public services				
Public Buildings	73,900	59,094	14,806	74,228
Bennett Perry House	600	434	166	25,683
Administration - public works	144,000	117,849	26,151	120,191
City Garage	192,150	199,113	(6,963)	111,313
Cemetery	86,500	86,065	435	73,476
Total Other public services	<u>497,150</u>	<u>462,555</u>	<u>34,595</u>	<u>404,891</u>
 Total Public services	<u>2,717,190</u>	<u>2,471,497</u>	<u>245,693</u>	<u>2,195,884</u>
 Recreation and parks				
Recreation Services	918,128	806,907	111,221	728,962
Youth Services	350,100	320,184	29,916	156,088
Aycock Aquatics Center	161,200	162,769	(1,569)	320,704
Total Recreation and parks	<u>1,429,428</u>	<u>1,289,860</u>	<u>139,568</u>	<u>1,205,754</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Non-departmental				
City and County shared programs				
Contribution to library	\$ 187,400	\$ 187,400	\$ -	\$ 187,400
Other shared programs	<u>839,800</u>	<u>757,481</u>	<u>82,319</u>	<u>797,747</u>
Total City and county shared programs	1,027,200	944,881	82,319	985,147
Local agencies				
Contribution to airport	28,800	28,750	50	28,750
Other local agencies	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Local agencies	30,800	30,750	50	30,750
General Non-departmental				
Insurance deductible	15,000	-	15,000	-
Insurance reserve	985	-	985	2,112
Group insurance - retiree	375,300	358,447	16,853	297,521
Unemployment costs	4,900	1,468	3,432	11,267
Economic development incentive	19,592	19,592	-	-
Licenses/Permits/Fees	3,000	685	2,315	1,114
Bad debt	29,000	-	29,000	39,470
Reserve - other	<u>87,573</u>	<u>-</u>	<u>87,573</u>	<u>-</u>
Total General non-departmental	<u>535,350</u>	<u>380,192</u>	<u>155,158</u>	<u>351,484</u>
Total Non-departmental	<u>1,593,350</u>	<u>1,355,823</u>	<u>237,527</u>	<u>1,367,381</u>
Debt service				
Lease purchase payments	52,200	52,134	66	52,136
Principal retirement	647,100	647,016	84	647,016
Interest and other charges	<u>79,100</u>	<u>79,043</u>	<u>57</u>	<u>110,412</u>
Total Debt service	<u>778,400</u>	<u>778,193</u>	<u>207</u>	<u>809,564</u>
Total expenditures	<u>14,615,631</u>	<u>13,190,782</u>	<u>1,424,849</u>	<u>12,870,229</u>
Excess of revenues over (under) expenditures	<u>(1,660,181)</u>	<u>860,102</u>	<u>2,520,283</u>	<u>767,518</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
OTHER FINANCING SOURCES (USES)				
Capital lease obligations issued	\$ -	\$ -	\$ -	\$ 149,712
Installment note proceeds	266,427	266,427	-	-
Transfers from other funds:				
Special Revenue - Grants Fund	-	-	-	6,695
Capital Projects - Powell Bill	7,434	29,900	22,466	-
Enterprise Fund - Water Fund	361,300	361,300	-	361,300
Enterprise Fund - Sewer Fund	252,800	252,800	-	252,800
Enterprise Fund Regional Water System Fund	219,200	219,200	-	219,200
Transfers (to) other funds:				
Special Revenue - Grants Fund	(3,750)	(3,605)	145	(16,387)
Enterprise Fund - Water Fund	(97,100)	(97,100)	-	(96,910)
Total other financing sources	<u>1,006,311</u>	<u>1,028,922</u>	<u>22,611</u>	<u>876,410</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(653,870)</u>	<u>1,889,024</u>	<u>2,542,894</u>	<u>1,643,928</u>
Fund balance appropriated	<u>653,870</u>	<u>-</u>	<u>(653,870)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,889,024</u>	<u>\$ 1,889,024</u>	<u>1,643,928</u>
FUND BALANCE – Beginning		7,774,763		6,130,835
Restatement (Note VIII)		<u>115,110</u>		<u>-</u>
FUND BALANCE – Ending		<u>\$ 9,778,897</u>		<u>\$ 7,774,763</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2016, with Comparative Totals for June 30, 2015

	Special Revenue Fund	Capital Project Funds				Permanent Fund	Total Nonmajor Governmental Funds	
	Grants Fund	Capital Reserve General	Capital Reserve Economic Development	General Fund	CIP Powell Bill	Elmwood Cemetery	June 30, 2016	June 30, 2015
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ -	\$ 167,910	\$ -	\$ 431,978	\$ 599,888	\$ 618,791
Restricted cash	42,023	69,762	15,828	-	-	-	127,613	137,811
Due from other governments	10,815	-	-	-	-	-	10,815	-
Due from General Fund	3,605	-	-	-	-	-	3,605	-
	<u>3,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,605</u>	<u>-</u>
Total assets	<u>\$ 56,443</u>	<u>\$ 69,762</u>	<u>\$ 15,828</u>	<u>\$ 167,910</u>	<u>\$ -</u>	<u>\$ 431,978</u>	<u>\$ 741,921</u>	<u>\$ 756,602</u>
LIABILITIES								
Accounts payable	\$ 14,240	\$ -	\$ -	\$ 460	\$ -	\$ -	\$ 14,700	\$ 739
FUND BALANCES								
Non Spendable								
Perpetual maintenance	-	-	-	-	-	431,978	431,978	431,085
Restricted								
Streets - Powell Bill	-	-	-	-	-	-	-	29,849
Public Safety	6,020	-	-	-	-	-	6,020	-
Planning and community development	30,699	-	-	-	-	-	30,699	35,699
Recreation and parks	5,484	-	-	-	-	-	5,484	-
Capital reserves	-	69,762	15,828	-	-	-	85,590	72,263
Assigned	-	-	-	167,450	-	-	167,450	186,967
Unassigned	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>42,203</u>	<u>69,762</u>	<u>15,828</u>	<u>167,450</u>	<u>-</u>	<u>431,978</u>	<u>727,221</u>	<u>755,863</u>
Total liabilities and fund balances	<u>\$ 56,443</u>	<u>\$ 69,762</u>	<u>\$ 15,828</u>	<u>\$ 167,910</u>	<u>\$ -</u>	<u>\$ 431,978</u>	<u>\$ 741,921</u>	<u>\$ 756,602</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds
June 30, 2016, with Comparative Totals for June 30, 2015

	Special Revenue Fund		Capital Project Funds			Permanent Fund	Total Nonmajor Governmental Funds	
	Grants Fund	Capital Reserve General	Capital Reserve Economic Development	General Fund	CIP Powell Bill	Elmwood Cemetery	June 30, 2016	June 30, 2015
REVENUES								
Restricted intergovernmental	\$ 30,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,794	\$ 98,978
Other revenues	26,980	13,287	-	-	8	-	40,275	44
Investment earnings	-	40	-	63	43	893	1,039	86
Total revenues	<u>57,774</u>	<u>13,327</u>	<u>-</u>	<u>63</u>	<u>51</u>	<u>893</u>	<u>72,108</u>	<u>99,108</u>
EXPENDITURES								
Public safety	37,030	-	-	-	-	-	37,030	66,001
Planning and community development	2,500	-	-	15,409	-	-	17,909	21,015
Public services	-	-	-	-	-	-	-	-
Recreation and parks	19,516	-	-	-	-	-	19,516	-
Total expenditures	<u>59,046</u>	<u>-</u>	<u>-</u>	<u>15,409</u>	<u>-</u>	<u>-</u>	<u>74,455</u>	<u>87,016</u>
Revenues over (under) expenditures	<u>(1,272)</u>	<u>13,327</u>	<u>-</u>	<u>(15,346)</u>	<u>51</u>	<u>893</u>	<u>(2,347)</u>	<u>12,092</u>
OTHER FINANCING SOURCES								
Transfers in - General Fund	3,605	-	-	-	-	-	3,605	16,387
Transfers (out) - General Fund	-	-	-	-	(29,900)	-	(29,900)	(6,695)
Total other financing sources	<u>3,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,900)</u>	<u>-</u>	<u>(26,295)</u>	<u>9,692</u>
Excess of revenues and other financing sources over (under) expenditures	<u>2,333</u>	<u>13,327</u>	<u>-</u>	<u>(15,346)</u>	<u>(29,849)</u>	<u>893</u>	<u>(28,642)</u>	<u>21,784</u>
FUND BALANCE								
Beginning	39,870	56,435	15,828	182,796	29,849	431,085	755,863	734,079
Ending	<u>\$ 42,203</u>	<u>\$ 69,762</u>	<u>\$ 15,828</u>	<u>\$ 167,450</u>	<u>\$ -</u>	<u>\$ 431,978</u>	<u>\$ 727,221</u>	<u>\$ 755,863</u>

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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Restricted intergovernmental:						
BJA Grant Bulletproof Vests 2014						
Bureau of Justice Grant	\$ 3,829	\$ 1,870	\$ 3,985	\$ -	\$ 5,855	\$ 2,026
Bureau of Justice Grant 2015						
Bureau of Justice Grant	15,994	-	15,994	-	15,994	-
Governor's Crime Commission						
Governor's Crime Comm. Grant	11,250	-	10,815	-	10,815	(435)
Julia Avenue Project						
Vance Co. Engineering Contract	38,370	39,000	-	-	39,000	630
Other Revenues:						
Walmart Community Grant						
Fire Department Grant	-	2,500	1,980	-	4,480	4,480
Challenger Flag Football Program						
Panthers Challenger Grant	-	-	5,000	(5,000)	-	-
Fox Pond Trail Project						
Triangle North Healthcare	20,000	-	20,000	-	20,000	-
Total revenues	89,443	43,370	57,774	(5,000)	96,144	6,701
EXPENDITURES						
Public safety:						
BJA Grant Bulletproof Vests 2014						
Capital outlay	8,000	1,870	6,536	-	8,406	(406)
Bureau of Justice Grant 2015						
Capital outlay	15,994	-	16,038	-	16,038	(44)
Governor's Crime Commission						
Capital outlay	15,000	-	14,456	-	14,456	544
Walmart Community Grant						
Fire Department Grant	-	-	-	-	-	-
Planning and community development:						
Julia Avenue Project						
Contracted services	29,730	3,430	-	-	3,430	26,300
Legal/Administrative	8,640	2,371	2,500	-	4,871	3,769
Total	38,370	5,801	2,500	-	8,301	30,069

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, 2016

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
Recreation and Parks:						
Challenger Flag Football Program Recreation services	\$ -	\$ -	\$ 5,000	\$ (5,000)	\$ -	\$ -
Fox Pond Trail Project Capital outlay	20,000	-	14,516	-	14,516	5,484
Total expenditures	97,364	7,671	59,046	(5,000)	61,717	35,647
Excess of revenues over (under) expenditures	<u>(7,921)</u>	<u>35,699</u>	<u>(1,272)</u>	<u>-</u>	<u>34,427</u>	<u>42,348</u>
OTHER FINANCING SOURCES (USES)						
Transfer (to) from General Fund:						
BJA Grant Bulletproof Vests 2014	4,171	4,171	-	-	4,171	-
Governor's Crime Commission	3,750	-	3,605	-	3,605	(145)
Total other financing sources (uses)	7,921	4,171	3,605	-	7,776	(145)
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 39,870</u>	<u>2,333</u>	<u>\$ -</u>	<u>\$ 42,203</u>	<u>\$ 42,203</u>
FUND BALANCE – Beginning			<u>39,870</u>			
FUND BALANCE – Ending			<u>\$ 42,203</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>			2015 Actual
	Budget	Actual	Variance Positive (Negative)	
REVENUES				
Environment protection	\$ -	\$ 13,287	\$ 13,287	\$ -
Investment earnings	-	40	40	3
Total revenues	<u>-</u>	<u>13,327</u>	<u>13,327</u>	<u>3</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>13,327</u>	<u>\$ 13,327</u>	<u>3</u>
FUND BALANCE – Beginning		<u>56,435</u>		<u>56,432</u>
FUND BALANCE – Ending		<u>\$ 69,762</u>		<u>\$ 56,435</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Planning and community development:				
Capital Reserve	15,800	-	15,800	-
Total expenditures	15,800	-	15,800	-
Excess of revenues over (under) expenditures	(15,800)	-	15,800	-
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	15,800	-	(15,800)	-
Total other financing sources	15,800	-	(15,800)	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>	-
FUND BALANCE – Beginning		15,828		15,828
FUND BALANCE – Ending		<u>\$ 15,828</u>		<u>\$ 15,828</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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Beckford Drive Widening Project:						
Restricted intergovernmental SAFETEA - LU	\$ 825,000	\$ 171,427	\$ -	\$ -	\$ 171,427	\$ (653,573)
Investment income	-	35	63	-	98	98
Total revenues	825,000	171,462	63	-	171,525	(653,475)
EXPENDITURES						
Planning and community dev.:						
Beckford Drive Widening Project:						
Contingency	84,150	-	-	-	-	84,150
Administration	18,787	17,424	250	-	17,674	1,113
Construction	714,600	-	-	-	-	714,600
Engineering	201,713	200,862	11,809	-	212,671	(10,958)
Right of Way	12,000	10,800	3,350	-	14,150	(2,150)
Total expenditures	1,031,250	229,086	15,409	-	244,495	786,755
Excess of revenues over (under) expenditures	<u>(206,250)</u>	<u>(57,624)</u>	<u>(15,346)</u>	<u>-</u>	<u>(72,970)</u>	<u>133,280</u>
OTHER FINANCING SOURCES (USES)						
Beckford Drive Widening Project:						
Transfers (to) from General Fund	206,250	206,250	-	-	206,250	-
Total other financing sources (uses)	206,250	206,250	-	-	206,250	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 148,626</u>	<u>(15,346)</u>	<u>\$ -</u>	<u>\$ 133,280</u>	<u>\$ 133,280</u>
FUND BALANCE – Beginning			<u>182,796</u>			
FUND BALANCE – Ending			<u>\$ 167,450</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, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year		
			Revenues/ Expenditures	Closed	
REVENUES					
Investment income	\$ -	\$ 21,268	\$ 43	\$ (21,311)	\$ -
Sales tax refunds	-	544	8	(552)	-
Total revenues	-	21,812	51	(21,863)	-
EXPENDITURES					
Public Services:					
Street Repairs (Birch, Hillside, Cameron) Project:					
Legal/administration	-	105	-	(105)	-
Construction	-	108,553	-	(108,553)	-
Total expenditures	-	108,658	-	(108,658)	-
Excess of revenues over (under) expenditures	-	(86,846)	51	86,795	-
OTHER FINANCING SOURCES (USES)					
Street Repairs (Birch, Hillside, Cameron) Project:					
Transfers (to) from General Fund	-	94,329	(29,900)	(64,429)	-
Total other financing sources (uses)	-	94,329	(29,900)	(64,429)	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 7,483	(29,849)	\$ 22,366	\$ -
FUND BALANCE – Beginning			29,849		
FUND BALANCE – Ending			\$ -		

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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Investment earnings	\$ -	\$ 893	\$ 893	\$ 73
EXPENDITURES				
Public Services	-	-	-	-
Excess of revenues over (under) expenditures	-	893	893	73
OTHER FINANCING SOURCES (USES)				
Transfer (to) General Fund	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	893	<u>\$ 893</u>	73
FUND BALANCE – Beginning		<u>431,085</u>		<u>431,012</u>
FUND BALANCE – Ending		<u>\$ 431,978</u>		<u>\$ 431,085</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 5,684,500	\$ 5,904,489	\$ 219,989	\$ 5,532,586
Water reservation fee - Vance County	52,800	52,875	75	52,875
Debt setoff - water charges	5,000	2,462	(2,538)	3,208
Sprinklers and hydrants	104,000	129,364	25,364	118,629
Bad debts recovery	5,000	8,870	3,870	4,428
Returned check fees	2,500	2,975	475	3,151
Tapping	30,000	37,118	7,118	42,566
Reconnection	20,000	23,196	3,196	23,604
Set up charges	12,000	10,973	(1,027)	11,093
Overpayments utilities	-	(4,417)	(4,417)	6,044
Past due charges	71,000	79,121	8,121	74,458
Total	<u>5,986,800</u>	<u>6,247,026</u>	<u>260,226</u>	<u>5,872,642</u>
Other operating revenues				
Sale of materials	2,000	4,919	2,919	5,187
Miscellaneous	6,000	14,159	8,159	36,907
Over-short	-	(23)	(23)	150
Total	<u>8,000</u>	<u>19,055</u>	<u>11,055</u>	<u>42,244</u>
Total operating revenues	<u>5,994,800</u>	<u>6,266,081</u>	<u>271,281</u>	<u>5,914,886</u>
Non-operating revenues				
Interest on investments	3,000	5,811	2,811	3,585
Insurance proceeds	900	6,283	5,383	1,419
T-Mobile Agreement	28,000	27,326	(674)	26,790
Sprint PCS Site Agreement	25,000	26,473	1,473	26,429
Total non-operating revenues	<u>56,900</u>	<u>65,893</u>	<u>8,993</u>	<u>58,223</u>
Total revenues	<u>6,051,700</u>	<u>6,331,974</u>	<u>280,274</u>	<u>5,973,109</u>
EXPENDITURES				
Administration and engineering				
Salaries and employee benefits	231,132	205,519	25,613	224,601
Supplies	23,700	14,723	8,977	11,178
Telephone	4,000	3,418	582	3,086
Insurance	3,057	3,057	-	3,356
Contracted services	4,350	2,613	1,737	963
Capital outlay	10,000	10,000	-	7,390
Other administration expenses	15,550	7,571	7,979	5,861
Total	<u>291,789</u>	<u>246,901</u>	<u>44,888</u>	<u>256,435</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016			2015 Actual
	Budget	Actual	Variance Positive (Negative)	
Public services administration				
Salaries and employee benefits	\$ 87,399	\$ 88,634	\$ (1,235)	\$ 36,369
Supplies	2,900	1,922	978	333
Telephone	800	636	164	297
Insurance	1,304	1,304	-	154
Contracted services	-	-	-	81
Capital outlay	-	-	-	28,092
Capital outlay - noncapital	-	-	-	1,855
Other expenses	2,100	1,704	396	432
Total	<u>94,503</u>	<u>94,200</u>	<u>303</u>	<u>67,613</u>
Water distribution operations				
Salaries and employee benefits	402,218	393,406	8,812	340,214
Purchases for resale	3,060,000	3,067,269	(7,269)	2,902,557
Supplies	66,200	36,225	29,975	39,499
Telephone	4,600	3,771	829	3,526
Utilities	23,600	14,841	8,759	15,450
Insurance	16,800	16,800	-	16,327
Contracted services	104,400	80,816	23,584	76,862
Reimbursement - Water	47,800	40,026	7,774	39,311
Maintenance	118,300	78,163	40,137	73,097
Water line repairs	130,000	113,074	16,926	116,357
Water meter replacements	78,000	77,742	258	74,179
Water taps	30,000	7,491	22,509	9,774
Capital outlay	143,842	143,842	-	13,983
Capital outlay - noncapital	2,500	2,476	24	2,749
Other expenses	29,000	19,264	9,736	16,675
Total	<u>4,257,260</u>	<u>4,095,206</u>	<u>162,054</u>	<u>3,740,560</u>
Customer service				
Salaries and employee benefits	360,001	336,359	23,642	332,962
Supplies	29,100	15,719	13,381	15,922
Telephone	3,200	2,740	460	2,946
Insurance	11,264	11,684	(420)	11,753
Contracted services	71,200	52,177	19,023	50,121
Capital outlay	-	-	-	14,850
Capital outlay - noncapital	4,720	3,701	1,019	800
Other expenses	36,800	28,463	8,337	28,161
Total	<u>516,285</u>	<u>450,843</u>	<u>65,442</u>	<u>457,515</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016			2015 Actual
	Budget	Actual	Variance Positive (Negative)	
Non-departmental				
Retiree insurance	\$ 23,916	\$ 22,911	\$ 1,005	\$ 17,090
Vacation and comp. time payout	3,700	-	3,700	-
Licenses/Permits/Fees	940	92	848	621
Reserve for bad debt	80,000	-	80,000	44,695
Contingency	50,000	-	50,000	-
Insurance reserve	13,458	-	13,458	195
Other reserve	1,875,438	-	1,875,438	-
Contracted services	-	-	-	(1,389)
Total	<u>2,047,452</u>	<u>23,003</u>	<u>2,024,449</u>	<u>61,212</u>
Debt Service				
Lease purchase payments	48,416	34,371	14,045	34,371
Interest and fees	122,300	122,300	-	146,231
Principal	1,053,863	1,053,863	-	935,350
Total	<u>1,224,579</u>	<u>1,210,534</u>	<u>14,045</u>	<u>1,115,952</u>
Total expenditures	<u>8,431,868</u>	<u>6,120,687</u>	<u>2,311,181</u>	<u>5,699,287</u>
Excess of revenues over (under) expenditures	<u>(2,380,168)</u>	<u>211,287</u>	<u>(2,030,907)</u>	<u>273,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
General Fund	97,100	97,100	-	96,910
Sewer Fund	606,900	606,900	-	606,040
Regional Water System Fund	96,000	96,000	-	96,000
Rate Stabilization Fund	1,884,000	60,000	(1,824,000)	-
Transfers (to) other funds:				
General fund	(361,300)	(361,300)	-	(361,300)
Capital Reserve Utilities Fund	(7,100)	(7,100)	-	(50,100)
Installment note proceeds	64,568	64,568	-	-
Revision on settlement (Note II.B.5)	-	30,000	30,000	-
Total other financing sources	<u>2,380,168</u>	<u>586,168</u>	<u>(1,794,000)</u>	<u>387,550</u>
Excess of revenues and other financing sources over (under) expenditures	<u>-</u>	<u>797,455</u>	<u>797,455</u>	<u>661,372</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 797,455</u>	<u>\$ 797,455</u>	<u>\$ 661,372</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 797,455		\$ 661,372
Reconciling items:				
Debt service - principal		1,086,866		967,689
Installment note proceeds		(64,568)		-
Capital outlay		153,598		64,315
Depreciation		(362,093)		(396,660)
Increase (decrease) in notes receivable		(43,750)		(43,750)
(Increase) decrease in accrued liabilities:				
Accrued vacation		(8,358)		(2,407)
Accrued interest		3,341		3,678
Accrued OPEB Liability		(22,472)		(25,816)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		51,188		48,513
Pension expense		(29,074)		(2,996)
Consolidated activity:				
Water Capital Project Fund:				
Sales tax refunds		11,428		41,261
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		260		(47)
Transfers (to) from Water Fund		7,100		50,100
Rate Stabilization Fund:				
Excess of revenues over (under) expenses		19,633		6,484
Transfers (to) from Water Fund		(60,000)		-
Total reconciling items		<u>743,099</u>		<u>710,364</u>
Change in net position		<u>\$ 1,540,554</u>		<u>\$ 1,371,736</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Sewer Charges	\$ 4,601,300	\$ 4,681,461	\$ 80,161	\$ 4,128,102
Sewer surcharges	17,000	14,807	(2,193)	16,585
Debt setoff - sewer charges	7,000	6,802	(198)	6,416
Bad debts recovery	8,000	11,004	3,004	7,520
Tapping	2,500	5,750	3,250	3,000
Reconnection	51,000	54,125	3,125	55,075
Code violations	6,000	1,800	(4,200)	5,600
Set up charges	25,000	25,603	603	25,885
Fog compliance monitoring	8,100	9,079	979	10,672
Past due charges	170,000	184,615	14,615	173,735
Total	<u>4,895,900</u>	<u>4,995,046</u>	<u>99,146</u>	<u>4,432,590</u>
Other operating revenues				
Sale of materials	1,000	3,303	2,303	883
Miscellaneous	2,000	-	(2,000)	8,787
Total	<u>3,000</u>	<u>3,303</u>	<u>303</u>	<u>9,670</u>
Total operating revenues	<u>4,898,900</u>	<u>4,998,349</u>	<u>99,449</u>	<u>4,442,260</u>
Non-operating revenues				
Interest on investments	1,000	7,237	6,237	1,471
Vance County	132,400	132,490	90	138,404
Total non-operating revenues	<u>133,400</u>	<u>139,727</u>	<u>6,327</u>	<u>139,875</u>
Total revenues	<u>5,032,300</u>	<u>5,138,076</u>	<u>105,776</u>	<u>4,582,135</u>
EXPENDITURES				
Water Reclamation Facility				
Salaries and employee benefits	889,139	798,843	90,296	856,348
Supplies	244,200	193,518	50,682	330,152
Telephone	15,600	15,464	136	14,725
Utilities	349,500	346,129	3,371	350,512
Insurance	42,233	42,233	-	44,537
Contracted Services	266,274	185,610	80,664	206,404
Maintenance	179,000	153,372	25,628	187,278
Capital outlay	56,350	55,513	837	-
Capital outlay - noncapital	-	-	-	499
Other expenses	22,227	12,594	9,633	13,978
Total	<u>2,064,523</u>	<u>1,803,276</u>	<u>261,247</u>	<u>2,004,433</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Sewer Collection Operations				
Salaries and employee benefits	\$ 198,900	\$ 192,680	\$ 6,220	\$ 175,629
Supplies	30,900	15,175	15,725	17,203
Telephone	2,900	2,413	487	2,170
Utilities	23,100	12,285	10,815	12,406
Insurance	12,388	12,388	-	15,654
Contracted services	26,800	3,347	23,453	6,925
Reimbursement - Utility policy	1,800	1,795	5	1,404
Maintenance	61,500	15,303	46,197	14,366
Sewer line repairs	21,800	4,311	17,489	14,077
Sewer taps	6,000	-	6,000	-
Capital outlay	277,300	277,300	-	13,983
Capital outlay - noncapital	5,500	2,476	3,024	2,749
Other expenses	15,700	7,628	8,072	9,063
Total	<u>684,588</u>	<u>547,101</u>	<u>137,487</u>	<u>285,629</u>
Sewer I & I Operations				
Salaries and employee benefits	112,000	104,709	7,291	109,841
Supplies	24,900	12,742	12,158	9,872
Insurance	16,466	11,570	4,896	12,451
Contracted services	26,200	24,711	1,489	19,094
Maintenance	8,700	5,330	3,370	3,392
Capital outlay	30,442	30,442	-	-
Other expenses	7,900	4,428	3,472	4,503
Total	<u>226,608</u>	<u>193,932</u>	<u>32,676</u>	<u>159,153</u>
Non-departmental				
Retiree insurance	24,050	23,407	643	19,188
Workers' compensation insurance	3,000	-	3,000	-
Vacation and comp. time payout	6,000	-	6,000	-
Licenses/Permits/Fees	531	530	1	172
Reserve for bad debt	70,000	-	70,000	77,839
Insurance reserve	25,012	-	25,012	334
Other reserve	61,398	-	61,398	-
Contracted services	-	-	-	(1,389)
Contingency	50,000	-	50,000	-
Total	<u>239,991</u>	<u>23,937</u>	<u>216,054</u>	<u>96,144</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016			2015 Actual
	Budget	Actual	Variance Positive (Negative)	
Debt Service				
Lease purchase payments	\$ 105,370	\$ 31,388	\$ 73,982	\$ 31,388
Interest and fees	62,700	17,663	45,037	25,793
Principal	1,120,900	1,050,403	70,497	201,951
Total	1,288,970	1,099,454	189,516	259,132
Total expenditures	4,504,680	3,667,700	836,980	2,804,491
Excess of revenues over (under) expenditures	<u>527,620</u>	<u>1,470,376</u>	<u>(731,204)</u>	<u>1,777,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds:				
General Fund	(252,800)	(252,800)	-	(252,800)
Sewer Capital Project Fund	-	-	-	(25,000)
Water Fund	(606,900)	(606,900)	-	(606,040)
Capital Reserve Utilities Fund	(8,000)	(8,000)	-	(77,800)
Rate Stabilization Fund	-	-	-	(436,000)
Installment note proceeds	340,080	340,080	-	-
Total other financing sources	(527,620)	(527,620)	-	(1,397,640)
Excess of revenues and other financing sources over (under) expenditures	<u>-</u>	<u>942,756</u>	<u>942,756</u>	<u>380,004</u>
Fund balance appropriated	-	-	-	-
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 942,756</u>	<u>\$ 942,756</u>	<u>\$ 380,004</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 942,756		\$ 380,004
Reconciling items:				
Debt service - principal		1,080,539		231,802
Installment note proceeds		(340,080)		-
Capital outlay		365,223		13,983
Depreciation		(775,526)		(751,514)
Increase (decrease) in inventory		4,533		2,245
(Increase) decrease in accrued liabilities:				
Accrued vacation		(4,573)		707
Accrued interest		(2,043)		1,348
Accrued OPEB Liability		(23,906)		(31,175)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		56,681		61,651
Pension expense		(32,203)		(3,807)
Consolidated activity:				
Sewer Capital Project Fund:				
Capital contributions received		867,743		448,481
Transfers (to) from Sewer Fund		-		25,000
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		3,184		25,672
Transfers (to) from Sewer Fund		8,000		77,800
Rate Stabilization Fund				
Excess of revenues over (under) expenses		2,784		(54)
Transfers (to) from Sewer Fund		-		436,000
Total reconciling items		<u>1,210,356</u>		<u>538,139</u>
Change in net position		<u>\$ 2,153,112</u>		<u>\$ 918,143</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 4,490,000	\$ 4,955,200	\$ 465,200	\$ 4,640,830
Other operating revenues				
Miscellaneous	7,000	8,177	1,177	19,593
Total operating revenues	<u>4,497,000</u>	<u>4,963,377</u>	<u>466,377</u>	<u>4,660,423</u>
Non-operating revenues				
Interest on investments	2,500	6,667	4,167	2,924
Sale of assets	-	-	-	42
Total non-operating revenues	<u>2,500</u>	<u>6,667</u>	<u>4,167</u>	<u>2,966</u>
Total revenues	<u>4,499,500</u>	<u>4,970,044</u>	<u>470,544</u>	<u>4,663,389</u>
EXPENDITURES				
Regional Water Plant				
Salaries and employee benefits	625,401	548,676	76,725	592,510
Supplies	495,400	403,452	91,948	433,043
Telephone	5,700	5,092	608	5,036
Utilities	421,000	333,007	87,993	405,226
Insurance	32,358	32,358	-	35,564
Contracted services	260,776	200,129	60,647	240,255
Maintenance	169,700	139,098	30,602	151,286
Capital outlay	-	-	-	25,338
Capital outlay - noncapital	-	-	-	3,476
Other expenses	35,500	21,741	13,759	21,958
Total	<u>2,045,835</u>	<u>1,683,553</u>	<u>362,282</u>	<u>1,913,692</u>
Non-departmental				
Retiree insurance	23,000	20,771	2,229	19,812
Vacation and comp. time payout	7,400	-	7,400	-
Insurance reserve	14,342	-	14,342	139
Other reserve	69,067	-	69,067	-
Bank service charges	500	437	63	607
Contracted services	-	-	-	33
Contingency	35,300	-	35,300	-
Total	<u>149,609</u>	<u>21,208</u>	<u>128,401</u>	<u>20,591</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Debt Service				
Interest and fees	\$ 116,981	\$ 116,981	\$ -	\$ 138,053
Principal	<u>791,556</u>	<u>791,496</u>	<u>60</u>	<u>707,063</u>
Total	<u>908,537</u>	<u>908,477</u>	<u>60</u>	<u>845,116</u>
 Total expenditures	 <u>3,103,981</u>	 <u>2,613,238</u>	 <u>490,743</u>	 <u>2,779,399</u>
 Excess of revenues over (under) expenditures	 <u>1,395,519</u>	 <u>2,356,806</u>	 <u>(20,199)</u>	 <u>1,883,990</u>
 OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds:				
General Fund	(219,200)	(219,200)	-	(219,200)
Water Fund	(96,000)	(96,000)	-	(96,000)
Regional Water System Capital Project Fund	(568,219)	(579,694)	(11,475)	(38,000)
Regional Water Reserve Fund	<u>(512,100)</u>	<u>(512,100)</u>	<u>-</u>	<u>(761,000)</u>
 Total other financing sources	 <u>(1,395,519)</u>	 <u>(1,406,994)</u>	 <u>(11,475)</u>	 <u>(1,114,200)</u>
 Excess of revenues and other financing sources over (under) expenditures	 <u>-</u>	 <u>949,812</u>	 <u>949,812</u>	 <u>769,790</u>
 Fund balance appropriated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	 <u>\$ -</u>	 <u>\$ 949,812</u>	 <u>\$ 949,812</u>	 <u>\$ 769,790</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 949,812		\$ 769,790
Reconciling items:				
Debt service - principal		791,496		707,063
Capital outlay		8,000		25,338
Depreciation		(489,983)		(480,508)
Increase (decrease) in inventory		12,273		18,282
(Increase) decrease in accrued liabilities:				
Accrued vacation		(2,626)		(1,268)
Accrued interest		7,231		6,957
Accrued OPEB Liability		(12,280)		(16,921)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		28,792		32,630
Pension expense		(16,348)		(2,015)
Consolidated activity:				
Regional Water System Capital Project Fund				
Investment earnings		734		78
Sales tax refunds		7,187		-
Transfers (to) from Regional Water System Fund		579,694		38,000
Regional Water Reserve Fund				
Excess of revenues over (under) expenses		8,189		2,001
Transfers (to) from Regional Water System Fund		512,100		761,000
Total reconciling items		<u>1,434,459</u>		<u>1,090,637</u>
Change in net position		<u>\$ 2,384,271</u>		<u>\$ 1,860,427</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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Sales tax refunds						
2" Water Line Replacement	\$ -	\$ 21,814	\$ 11,428	\$ -	\$ 33,242	\$ 33,242
Radio Read Water Meter Purch.	-	19,447	-	-	19,447	19,447
General	582	3,542	-	-	3,542	2,960
Total revenues	582	44,803	11,428	-	56,231	55,649
EXPENDITURES						
Capital Outlay:						
2" Water Line Replacement						
Permit Fees	2,200	1,825	-	-	1,825	375
Admin. / Closing fee	37,971	37,971	-	-	37,971	-
Legal / Admin.	5,800	1,293	-	-	1,293	4,507
Engineering	36,000	30,672	-	-	30,672	5,328
Construction	1,816,600	1,722,577	71,187	-	1,793,764	22,836
Total	1,898,571	1,794,338	71,187	-	1,865,525	33,046
Radio Read Water Meter Purch.						
Admin. / Closing fee	5,879	5,879	-	-	5,879	-
Water meter replacement	288,049	288,049	-	-	288,049	-
Total	293,928	293,928	-	-	293,928	-
Beckford Dr./Hwy 158 Water Ext.						
Legal / Admin.	1,082	1,082	-	-	1,082	-
Engineering	47,000	47,000	-	-	47,000	-
Total	48,082	48,082	-	-	48,082	-
Young Ave. Asbestos Replace.						
Admin. / Closing fee	30,960	-	-	-	-	30,960
Construction	1,293,877	-	-	-	-	1,293,877
Legal / Admin.	5,000	-	700	-	700	4,300
Engineering	30,000	-	-	-	-	30,000
Planning & Design	101,905	-	-	-	-	101,905
Contingency	117,218	-	-	-	-	117,218
Total	1,578,960	-	700	-	700	1,578,260
Total expenditures	3,819,541	2,136,348	71,887	-	2,208,235	1,611,306
Excess of revenues over (under) expenditures	(3,818,959)	(2,091,545)	(60,459)	-	(2,152,004)	1,666,955

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, 2016

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
OTHER FINANCING SOURCES						
(USES)						
2" Water Line Replacement						
Loan proceeds - DWSRF	\$ 1,898,571	\$ 1,759,086	\$ 72,397	\$ -	\$ 1,831,483	\$ (67,088)
Radio Read Water Meter Purchase						
Loan proceeds - DWSRF	293,928	293,928	-	-	293,928	-
Beckford Dr./Hwy 158 Water Ext.						
Transfer from Cap. Res. Utilities	47,500	47,500	-	-	47,500	-
Young Ave. Asbestos Replace.						
Loan proceeds - DWSRF	<u>1,578,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,578,960)</u>
Total other financing sources (uses)	<u>3,818,959</u>	<u>2,100,514</u>	<u>72,397</u>	<u>-</u>	<u>2,172,911</u>	<u>(1,646,048)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 8,969</u>	<u>11,938</u>	<u>\$ -</u>	<u>\$ 20,907</u>	<u>\$ 20,907</u>
FUND BALANCE – Beginning			<u>8,969</u>			
FUND BALANCE – Ending			<u>\$ 20,907</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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
HWRF Improvements						
Restricted intergovernmental						
CWSRF principal forgiveness	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ (1,000,000)
NC CWMTF grant	600,000	-	513,967	-	513,967	(86,033)
Total	1,600,000	-	513,967	-	513,967	(1,086,033)
Sandy Creek Pump Station Imp.						
Restricted intergovernmental						
CWSRF principal forgiveness	848,437	536,236	278,945	-	815,181	(33,256)
Newton Dairy Sewer Extension						
Restricted intergovernmental						
CDBG - Sewer	1,532,400	-	74,831	-	74,831	(1,457,569)
Investment income	-	16,675	-	-	16,675	16,675
Sales tax refunds	-	49,075	-	-	49,075	49,075
Total revenues	3,980,837	601,986	867,743	-	1,469,729	(2,511,108)
EXPENDITURES						
Capital Outlay:						
Newton Dairy Pump Project						
Professional Services	1,000	174	150	-	324	676
Right of Way	21,000	-	-	-	-	21,000
Engineering	25,900	17,283	-	-	17,283	8,617
Total	47,900	17,457	150	-	17,607	30,293
HWRF Improvements						
Legal/Admin	30,000	5,229	23,044	-	28,273	1,727
Engineering	1,107,780	1,105,237	2,543	-	1,107,780	-
Construction / Admin	16,646,215	14,834,991	569,898	-	15,404,889	1,241,326
Closing Fee - Grant / Loan	342,300	342,300	-	-	342,300	-
Land acquisition	27,000	26,985	-	-	26,985	15
Contingency	65,065	-	-	-	-	65,065
Total	18,218,360	16,314,742	595,485	-	16,910,227	1,308,133
Elmwood Cemetery Outfall						
Planning and design	108,300	106,785	1,470	-	108,255	45
Legal/Admin	5,900	2,605	1,091	-	3,696	2,204
Engineering	32,400	24,100	7,470	-	31,570	830
Construction	1,531,950	-	-	-	-	1,531,950
Right of Way Easements	11,300	9,320	1,888	-	11,208	92
SRF Closing Fee	36,000	-	-	-	-	36,000

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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Contingency	154,450	-	-	-	-	154,450
Total	1,880,300	142,810	11,919	-	154,729	1,725,571
Sandy Creek Pump Station Imp.						
Engineering and Geotechnical	143,100	127,971	-	-	127,971	15,129
Legal/Admin	2,500	871	-	-	871	1,629
Geotechnical	22,000	3,188	846	-	4,034	17,966
Construction	1,538,198	940,878	557,044	-	1,497,922	40,276
SRF Closing Fee	34,000	33,937	-	-	33,937	63
Contingency	9,276	-	-	-	-	9,276
Total	1,749,074	1,106,845	557,890	-	1,664,735	84,339
Newton Dairy Sewer Extension						
Design	109,800	-	54,800	-	54,800	55,000
Grant Administration	80,000	-	20,031	-	20,031	59,969
Construction / Admin	1,174,360	-	-	-	-	1,174,360
Right of Way Easements	15,000	-	-	-	-	15,000
Contingency	153,240	-	-	-	-	153,240
Total	1,532,400	-	74,831	-	74,831	1,457,569
Total expenditures	23,428,034	17,581,854	1,240,275	-	18,822,129	4,605,905
Excess of revenues over (under) expenditures	(19,447,197)	(16,979,868)	(372,532)	-	(17,352,400)	2,094,797
OTHER FINANCING SOURCES (USES)						
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	15,873,436	83,267	-	15,956,703	(158,297)
Transfer from Cap. Res. Utilities	400,000	400,000	-	-	400,000	-
Transfer from Rate Stabilization	103,360	103,360	-	-	103,360	-
Total	16,618,360	16,376,796	83,267	-	16,460,063	(158,297)
Elmwood Cemetery Outfall						
Loan proceeds - CWSRF	1,800,000	142,810	2,602	-	145,412	(1,654,588)
Transfer from Sewer Fund	25,000	25,000	-	-	25,000	-
Transfer from Cap. Res. Utilities	55,300	55,300	-	-	55,300	-
Total	1,880,300	223,110	2,602	-	225,712	(1,654,588)

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, 2016

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
Sandy Creek Pump Station Imp.						
Loan proceeds - CWSRF	848,437	536,236	278,945	-	815,181	(33,256)
Transfer from Cap. Res. Utilities	52,200	52,200	-	-	52,200	-
Total	900,637	588,436	278,945	-	867,381	(33,256)
Loan discount	-	6,506	-	-	6,506	6,506
Other	-	1,448	-	-	1,448	1,448
Total other financing sources (uses)	19,447,197	17,244,196	364,814	-	17,609,010	(1,838,187)
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 264,328</u>	(7,718)	<u>\$ -</u>	<u>\$ 256,610</u>	<u>\$ 256,610</u>
FUND BALANCE – Beginning			<u>264,328</u>			
FUND BALANCE – Ending			<u>\$ 256,610</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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
20MGD Expansion						
Investment income	\$ -	\$ 198,940	\$ 54	\$ (198,994)	\$ -	\$ -
Sales tax refunds	-	175,300	-	(175,300)	-	-
Total	-	374,240	54	(374,294)	-	-
KLRW Interbasin Transfer						
Investment income	12	121	393	-	514	502
Warren Co. Meter Location						
Investment income	-	52	287	(339)	-	-
KLRWP High Speed Eff. Pump						
Sales tax refunds	-	-	6,455	-	6,455	6,455
Containment Wall at KLRW Plant						
Sales tax refunds	-	-	732	(732)	-	-
Total revenues	12	374,413	7,921	(375,365)	6,969	6,957
EXPENDITURES						
Capital Outlay:						
20MGD Expansion						
Engineering	-	1,091,588	-	(1,091,588)	-	-
Planning/design	-	13,636	-	(13,636)	-	-
Contingency	-	-	-	-	-	-
Legal/Admin	-	60,672	-	(60,672)	-	-
Total	-	1,165,896	-	(1,165,896)	-	-
KLRW Interbasin Transfer						
Engineering	700,911	650,849	50,062	-	700,911	-
Planning/design	119,988	119,988	-	-	119,988	-
Contingency	8,877	-	-	-	-	8,877
Professional services	79,224	72,991	5,716	-	78,707	517
Total	909,000	843,828	55,778	-	899,606	9,394
Warren Co. Meter Location						
Engineering	-	3,000	-	(3,000)	-	-
Legal/Admin	-	475	-	(475)	-	-
Construction	-	107,904	-	(107,904)	-	-
Total	-	111,379	-	(111,379)	-	-

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, 2016

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
KLRWP High Speed Eff. Pump						
Engineering	\$ 67,000	\$ 40,035	\$ 2,631	\$ -	\$ 42,666	\$ 24,334
Contingency	54,090	-	-	-	-	54,090
Legal/Admin	9,000	1,585	-	-	1,585	7,415
Construction	976,330	902,550	62,326	-	964,876	11,454
SRF Closing Fee	22,580	22,580	-	-	22,580	-
Total	1,129,000	966,750	64,957	-	1,031,707	97,293
Containment Wall at KLRW Plant						
Construction	-	45,816	96,957	(142,773)	-	-
Pipe Repair Project						
Construction	100,000	-	99,714	-	99,714	286
SCADA System Project						
Engineering	30,000	-	-	-	-	30,000
Construction	493,000	-	-	-	-	493,000
Total	523,000	-	-	-	-	523,000
Total expenditures	2,661,000	3,133,669	317,406	(1,420,048)	2,031,027	629,973
Excess of revenues over (under) expenditures	<u>(2,660,988)</u>	<u>(2,759,256)</u>	<u>(309,485)</u>	<u>1,044,683</u>	<u>(2,024,058)</u>	<u>636,930</u>
OTHER FINANCING SOURCES (USES)						
20MGD Expansion						
Transfer (to) from Regional Water	-	801,704	(52,102)	(749,602)	-	-
Transfer from Cap. Res. 20MGD	-	42,000	-	(42,000)	-	-
Total	-	843,704	(52,102)	(791,602)	-	-
KLRW Interbasin Transfer						
Transfer from Regional Water	383,988	383,988	-	-	383,988	-
Transfer from Cap. Res. IBT	525,000	525,000	-	-	525,000	-
Total	908,988	908,988	-	-	908,988	-
Warren Co. Meter Location						
Transfer from Regional Water	-	100,000	11,040	(111,040)	-	-
KLRWP High Speed Eff. Pump						
Loan proceeds - DWSRF	1,129,000	945,642	22,976	-	968,618	(160,382)
Containment Wall at KLRW Plant						
Transfer from Regional Water	-	144,000	(1,959)	(142,041)	-	-

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, 2016

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
Pipe Repair Project						
Transfer from Regional Water	\$ 100,000	\$ -	\$ 99,714	\$ -	\$ 99,714	\$ (286)
SCADA System Project						
Transfer from Regional Water	<u>523,000</u>	<u>-</u>	<u>523,000</u>	<u>-</u>	<u>523,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,660,988</u>	<u>2,942,334</u>	<u>602,669</u>	<u>(1,044,683)</u>	<u>2,500,320</u>	<u>(160,668)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 183,078</u>	293,184	<u>\$ -</u>	<u>\$ 476,262</u>	<u>\$ 476,262</u>
FUND BALANCE – Beginning			<u>183,078</u>			
FUND BALANCE – Ending			<u>\$ 476,262</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Capital Reserve - Water				
Investment earnings	\$ -	\$ 291	\$ 291	\$ -
Capital Reserve - Sewer				
Investment earnings	-	364	364	416
Capacity usage fee	-	2,851	2,851	25,295
Total revenues	<u>-</u>	<u>3,506</u>	<u>3,506</u>	<u>25,711</u>
EXPENDITURES				
Capital Reserve - Water				
Licenses/Permits/Fees	-	31	(31)	47
Reserve	163,200	-	163,200	-
Capital Reserve - Sewer				
Licenses/Permits/Fees	-	31	(31)	39
Reserve	161,300	-	161,300	-
Total expenditures	<u>324,500</u>	<u>62</u>	<u>324,438</u>	<u>86</u>
Excess of revenues over (under) expenditures	<u>(324,500)</u>	<u>3,444</u>	<u>327,944</u>	<u>25,625</u>
OTHER FINANCING SOURCES (USES)				
Capital Reserve - Water				
Transfer (to) from Water Fund	7,100	7,100	-	50,100
Fund balance appropriated	163,900	-	(163,900)	-
Capital Reserve - Sewer				
Transfer (to) from Sewer Fund	8,000	8,000	-	77,800
Fund balance appropriated	145,500	-	(145,500)	-
Total other financing sources	<u>324,500</u>	<u>15,100</u>	<u>(309,400)</u>	<u>127,900</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>18,544</u>	<u>\$ 18,544</u>	<u>153,525</u>
FUND BALANCE – Beginning		<u>327,340</u>		<u>173,815</u>
FUND BALANCE – Ending		<u>\$ 345,884</u>		<u>\$ 327,340</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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Investment earnings				
Capital Reserve - Regional	\$ -	\$ 577	\$ 577	\$ 26
Capital Reserve - Regional COE	-	155	155	7
Capital Reserve - Regional 20MGD	-	7,691	7,691	2,577
Total revenues	<u>-</u>	<u>8,423</u>	<u>8,423</u>	<u>2,610</u>
EXPENDITURES				
Capital Reserve - Regional				
Licenses/Permits/Fees	100	78	22	42
Reserve	112,100	-	112,100	-
Capital Reserve - Regional COE				
Licenses/Permits/Fees	100	78	22	12
Reserve	62,000	-	62,000	-
Capital Reserve - Regional 20MGD				
Licenses/Permits/Fees	1,200	78	1,122	555
Reserve	3,933,400	-	3,933,400	-
Total	<u>4,108,900</u>	<u>234</u>	<u>4,108,666</u>	<u>609</u>
Total expenditures	<u>4,108,900</u>	<u>234</u>	<u>4,108,666</u>	<u>609</u>
Excess of revenues over (under) expenditures	<u>(4,108,900)</u>	<u>8,189</u>	<u>4,117,089</u>	<u>2,001</u>
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other fund:				
Regional Water Fund				
Capital Reserve - Regional	(100,000)	(100,000)	-	-
Capital Reserve - Regional COE	5,000	-	(5,000)	5,000
Capital Reserve - Regional 20MGD	607,100	612,100	5,000	756,000
Fund balance appropriated	3,596,800	-	(3,596,800)	-
Total other financing sources	<u>4,108,900</u>	<u>512,100</u>	<u>(3,596,800)</u>	<u>761,000</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>520,289</u>	<u>\$ 520,289</u>	<u>763,001</u>
FUND BALANCE – Beginning		<u>3,598,917</u>		<u>2,835,916</u>
FUND BALANCE – Ending		<u>\$ 4,119,206</u>		<u>\$ 3,598,917</u>

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, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Rate Stabilization - Water				
Investment earnings	\$ -	\$ 19,733	\$ 19,733	\$ 6,807
Rate Stabilization - Sewer				
Investment earnings	-	2,884	2,884	-
Total revenues	-	22,617	22,617	6,807
EXPENDITURES				
Rate Stabilization - Water				
Licenses/Permits/Fees	-	100	(100)	323
Reserve	1,214,500	-	1,214,500	-
Rate Stabilization - Sewer				
Licenses/Permits/Fees	-	100	(100)	54
Reserve	773,800	-	773,800	-
Total expenditures	1,988,300	200	1,988,100	377
Excess of revenues over (under) expenditures	(1,988,300)	22,417	2,010,717	6,430
OTHER FINANCING SOURCES (USES)				
Rate Stabilization - Water				
Transfer (to) from Water Fund	(1,884,000)	(60,000)	1,824,000	-
Fund balance appropriated	3,098,500	-	(3,098,500)	-
Rate Stabilization - Sewer				
Transfer (to) from Sewer Fund	-	-	-	436,000
Fund balance appropriated	773,800	-	(773,800)	-
Total other financing sources	1,988,300	(60,000)	(2,048,300)	436,000
Excess of revenues and other financing sources over (under) expenditures	\$ -	(37,583)	\$ (37,583)	442,430
FUND BALANCE – Beginning		3,826,619		3,384,189
FUND BALANCE – Ending		\$ 3,789,036		\$ 3,826,619

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 6,333,277	\$ 5,998,797	\$ 334,480
2014-2015	194,339	-	129,969	64,370
2013-2014	106,883	-	60,532	46,351
2012-2013	95,532	-	24,937	70,595
2011-2012	36,356	-	16,423	19,933
2010-2011	20,023	-	9,444	10,579
2009-2010	15,325	-	955	14,370
2008-2009	28,692	-	845	27,847
2007-2008	12,823	-	309	12,514
2006-2007	14,057	-	679	13,378
2005-2006	13,288	-	13,288	-
	<u>\$ 537,318</u>	<u>\$ 6,333,277</u>	<u>\$ 6,256,178</u>	614,417
				Less: allowance for uncollectible accounts: <u>(170,000)</u>
				Ad Valorem taxes receivable – net <u>\$ 444,417</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund \$ 6,319,302
				Reconciling items:
				Interest collected (67,530)
				Collections of previously written off taxes (137)
				Taxes written off 12,495
				Releases 29,443
				Prior year 'non-discovery' additions per Vance County tax office <u>(37,395)</u>
				Total collections and credits <u>\$ 6,256,178</u>

CITY OF HENDERSON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2016

	<u>City - Wide</u>		<u>Total Levy</u>		
			<u>Property</u>	<u>Registered</u>	<u>Registered</u>
	<u>Valuation</u>	<u>Rate</u>	<u>Total</u>	<u>Motor</u>	<u>Motor</u>
			<u>Levy</u>	<u>Vehicles</u>	<u>Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 982,801,728	0.620	\$ 6,093,373	\$ 5,573,960	\$ 519,413
Penalties	-		32,549	32,549	-
Total	<u>982,801,728</u>		<u>6,125,922</u>	<u>5,606,509</u>	<u>519,413</u>
Discoveries:					
Current year taxes	9,093,453	0.620	56,379	56,379	-
Prior year taxes	21,661,635	0.620	134,302	134,074	228
Prior year taxes	<u>6,171,444</u>	<u>0.585</u>	<u>36,103</u>	<u>36,103</u>	<u>-</u>
Total	<u>36,926,532</u>		<u>226,784</u>	<u>226,556</u>	<u>228</u>
Abatements					
Current year taxes	(2,083,547)	0.620	(15,010)	(15,010)	-
Prior year taxes	<u>(755,312)</u>	<u>0.585</u>	<u>(4,419)</u>	<u>(4,419)</u>	<u>-</u>
Total	<u>(2,838,859)</u>		<u>(19,429)</u>	<u>(19,429)</u>	<u>-</u>
Total property valuation	<u>\$1,016,889,401</u>				
Net levy			6,333,277	5,813,636	519,641
Less Uncollected taxes at June 30, 2015			<u>334,480</u>	<u>334,480</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,998,797</u>	<u>\$ 5,479,156</u>	<u>\$ 519,641</u>
Current levy collection percentage			94.72%	94.25%	100.00%
Tax Rate per \$100					
General Fund	\$ 0.620				
Public Library Fund	<u>-</u>				
Total	<u>\$ 0.620</u>				

Statistical Section

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									
	2016 (a)	2015 (b)	2014 (c)	2013	2012 (e)	2011	2010	2009	2008	2007
Governmental Activities										
Net investment in										
capital assets	\$ 16,776,372	\$ 16,387,583	\$ 16,107,257	\$ 15,855,575	\$ 9,099,920	\$ 14,328,977	\$ 14,686,579	\$ 14,582,291	\$ 12,257,263	\$ 12,719,614
Restricted	2,842,835	2,693,934	2,697,355	2,544,337	3,326,377	3,185,989	1,772,784	1,899,503	1,893,464	1,981,404
Unrestricted (deficit)	<u>3,711,584</u>	<u>1,820,143</u>	<u>1,026,753</u>	<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>
Total	<u>\$ 23,330,791</u>	<u>\$ 20,901,660</u>	<u>\$ 19,831,365</u>	<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>
Business-type Activities										
Net investment in										
capital assets	\$ 60,567,294	\$ 57,944,442	\$ 57,062,814	\$ 56,461,187	\$ 54,571,969	\$ 49,450,831	\$ 46,753,174	\$ 45,375,752	\$ 43,605,863	\$ 39,076,311
Restricted	28,258	-	-	-	-	-	-	-	225,065	215,715
Unrestricted (deficit)	<u>20,874,686</u>	<u>17,447,859</u>	<u>14,528,459</u>	<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>
Total	<u>\$ 81,470,238</u>	<u>\$ 75,392,301</u>	<u>\$ 71,591,273</u>	<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>
Primary Government										
Net investment in										
capital assets	\$ 77,343,666	\$ 74,332,025	\$ 73,170,071	\$ 72,316,762	\$ 63,671,889	\$ 63,779,808	\$ 61,439,753	\$ 59,958,043	\$ 55,863,126	\$ 51,795,925
Restricted	2,871,093	2,693,934	2,697,355	2,544,337	3,326,377	3,185,989	1,772,784	1,899,503	2,118,529	2,197,119
Unrestricted (deficit)	<u>24,586,270</u>	<u>19,268,002</u>	<u>15,555,212</u>	<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>
Total	<u>\$ 104,801,029</u>	<u>\$ 96,293,961</u>	<u>\$ 91,422,638</u>	<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>

Notes

a: The City implemented GASB Statement 73 in fiscal year 2016.

In accordance with GASB Statement 73, fiscal year 2016 includes reclassification of the City's Law Enforcement Officers' pension trust fund into the General Fund.

b: The City implemented GASB Statement 68 in fiscal year 2015.

In accordance with GASB Statement 68, fiscal year 2015 includes restatements to recognize net pension liability and deferred inflows/outflows of resources.

c: Net position reflects prior period adjustments recognized during the fiscal year.

d: The City implemented GASB Statement 65 in fiscal year 2013.

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									
	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007
Governmental Activities										
Expenses										
General government	\$ 1,496,470	\$ 1,563,433	\$ 1,682,775	\$ 1,722,160	\$ 2,238,209	\$ 2,566,627	\$ 2,633,778	\$ 909,799	\$ 3,462,318	\$ 3,519,455
Public safety	6,014,327	5,800,755	6,343,595	6,543,946	6,753,177	6,798,592	7,349,933	6,968,586	5,690,650	5,905,905
Planning and community dev.	326,690	254,659	376,614	362,099	3,821,273	-	-	-	-	-
Economic and physical dev.	-	-	-	-	-	444,922	45,732	498,004	2,079,810	140,137
Human Services	-	-	-	-	-	302,533	267,359	604,768	-	-
Public services										
Transportation and other	1,510,645	1,497,998	1,584,661	1,451,033	1,525,762	-	-	-	-	-
Transportation and utilities	-	-	-	-	-	2,034,973	2,001,374	1,936,074	2,130,965	2,409,306
Environmental protection	836,546	822,787	884,873	830,317	900,391	900,033	859,341	1,309,976	1,132,792	972,879
Recreation and parks	1,385,641	1,276,472	1,451,755	1,497,013	1,418,212	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	2,384,515	2,471,824	2,006,921	2,467,644	2,034,274
Local agencies and shared prog.	975,631	1,015,897	966,837	957,131	983,549	-	-	-	-	-
Interest on Long-Term Debt	81,593	108,803	141,665	170,211	209,088	242,768	285,532	283,950	371,805	327,287
Total	12,627,543	12,340,804	13,432,775	13,533,910	17,849,661	15,674,963	15,914,873	14,518,078	17,335,984	15,309,243
Program Revenues										
Charges for Services										
General government	-	-	-	-	-	306,870	-	-	2,156,793	2,060,967
Public safety	128,590	131,888	164,298	105,783	112,740	449,415	470,633	523,420	800	23,237
Planning and community dev.	34,007	29,818	24,540	13,705	16,115	-	-	-	-	-
Economic and physical dev.	-	-	-	-	-	15,212	15,805	16,810	-	-
Public services										
Transportation and other	7,500	14,250	16,500	8,250	15,750	-	-	-	-	-
Transportation and utilities	-	-	-	-	-	437,339	521,671	572,373	491,781	515,003
Environmental protection	1,880,993	1,796,749	1,944,950	1,737,036	1,707,242	2,936,451	2,877,402	2,853,864	1,890,034	1,692,524
Recreation and parks	897,943	848,576	886,189	936,923	909,600	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	904,876	1,025,485	1,135,797	132,923	159,531
Operating Grants and Contrib.	504,211	478,665	535,648	478,832	586,526	718,763	1,687,630	937,300	2,615,917	1,627,177
Capital Grants and Contributions	50,794	96,478	63,481	6,687,820	1,385,656	332,582	-	261,250	1,269,099	179,627
Total	3,504,038	3,396,424	3,635,606	9,968,349	4,733,629	6,101,508	6,598,626	6,300,814	8,557,347	6,258,066

Table 2

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

	Fiscal Year									
	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007
Total Governmental Activities										
Net Program Expense	\$ (9,123,505)	\$ (8,944,380)	\$ (9,797,169)	\$ (3,565,561)	\$ (13,116,032)	\$ (9,573,455)	\$ (9,316,247)	\$ (8,217,264)	\$ (8,778,637)	\$ (9,051,177)
General Revenues and Other Changes in Net Position										
Taxes:										
Property taxes,										
levied for general purpose	\$ 6,401,674	\$ 5,969,044	\$ 6,292,225	\$ 5,835,556	\$ 5,376,949	\$ 5,188,448	\$ 5,182,210	\$ 5,236,164	\$ 5,106,455	\$ 4,816,757
Other taxes and licenses	33,455	117,026	275,929	186,542	404,224	988,795	1,077,211	957,720	1,198,375	1,157,166
Unrestricted Grants and Contrib.										
Local option sales tax	2,968,469	2,770,276	2,456,998	2,392,890	2,355,482	2,150,394	2,164,956	2,482,544	2,509,029	2,105,076
Other	1,114,339	1,110,280	918,778	899,158	898,516	-	-	-	-	-
Investment earnings, unrestricted	23,227	6,933	8,858	5,259	5,974	10,524	10,777	73,336	190,901	166,086
Sale of capital assets	80,199	160	14,842	-	-	-	-	-	638,280	-
Miscellaneous, unrestricted	79,963	210,202	63,719	163,149	149,921	204,424	150,800	94,999	130,237	39,218
Transfers	736,200	736,390	735,748	892,200	1,264,596	(89,222)	246,637	(7,660)	(482,577)	79,928
Total	<u>11,437,526</u>	<u>10,920,311</u>	<u>10,767,097</u>	<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>
Total Governmental Activities										
Change in Net Position	<u>\$ 2,314,021</u>	<u>\$ 1,975,931</u>	<u>\$ 969,928</u>	<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>

Table 2

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

	Fiscal Year									
	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007
Business-type Activities										
Expenses										
Water, Sewer, and Regional Water System	\$ 10,533,845	\$ 10,813,134	\$ 10,968,686	\$ 10,729,182	\$ 10,685,265	\$ 11,623,998	\$ 11,080,440	\$ 11,359,948	\$ 10,824,002	\$ 10,098,559
Revenues										
Charges for Services	16,186,908	14,999,113	14,775,363	16,324,276	22,887,295	13,541,898	12,911,533	12,513,643	12,262,768	11,375,807
Capital Grants and Contributions	867,743	448,481	383,429	308,044	965,529	1,198,775	-	-	-	-
Total	<u>17,054,651</u>	<u>15,447,594</u>	<u>15,158,792</u>	<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>
Total Business-type Activities Net Program Expenses	6,520,806	4,634,460	4,190,106	5,903,138	13,167,559	3,116,675	1,831,093	1,153,695	1,438,766	1,277,248
Other Changes in Net Position										
Miscellaneous, unrestricted	293,331	252,236	315,044	314,866	579,747	357,728	704,649	620,231	315,387	294,887
Extraordinary events	-	-	(8,190,590)	-	-	-	-	-	-	-
Transfers	(736,200)	(736,390)	(735,748)	(892,200)	(1,264,596)	89,222	(246,637)	7,660	-	-
Total	<u>(442,869)</u>	<u>(484,154)</u>	<u>(8,611,294)</u>	<u>(577,334)</u>	<u>(684,849)</u>	<u>446,950</u>	<u>458,012</u>	<u>627,891</u>	<u>315,387</u>	<u>294,887</u>
Total Business-type Activities Change in Net Position	<u>\$ 6,077,937</u>	<u>\$ 4,150,306</u>	<u>\$ (4,421,188)</u>	<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>
Total Primary Government										
Changes in Net Position	<u>\$ 8,391,958</u>	<u>\$ 6,126,237</u>	<u>\$ (3,451,260)</u>	<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>

- Notes**
- a: The City recharacterized its presentation of governmental activities in fiscal year 2013. The presentation of fiscal year 2012 was reclassified for comparability.
- b: The City implemented GASB Statement 65 in fiscal year 2013.
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									
	2016	2015	2014	2013	2012	2011 (b)	2010	2009	2008	2007
General Fund										
Restricted	\$ 2,283,064	\$ 2,125,038	\$ 2,129,484	\$ 1,973,653	\$ 2,510,980	\$ 2,454,942	\$ -	\$ -	\$ -	\$ -
Committed	115,347	-	-	-	-	-	-	-	-	-
Assigned	397,616	345,000	325,000	153,000	259,600	175,008	-	-	-	-
Unassigned	6,982,870	5,304,725	3,676,351	2,966,287	2,005,613	1,983,708	-	-	-	-
Reserved	-	-	-	-	-	-	2,545,411	2,229,474	2,963,811	2,124,600
Unreserved	-	-	-	-	-	-	1,952,743	2,073,596	2,243,368	1,232,149
Total General Fund	<u>\$ 9,778,897</u>	<u>\$ 7,774,763</u>	<u>\$ 6,130,835</u>	<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>
All other Governmental Funds										
Nonspendable	\$ 431,978	\$ 431,085	\$ 431,012	\$ 430,970	\$ 430,965	\$ 430,210	\$ -	\$ -	\$ -	\$ -
Restricted	127,793	137,811	136,859	139,714	81,606	96,032	-	-	-	-
Assigned	167,450	186,967	170,564	158,168	302,826	204,805	-	-	-	-
Unassigned	-	-	(4,356)	-	-	(27,906)	-	-	-	-
Reserved	-	-	-	-	-	-	430,210	429,610	419,112	407,352
Unreserved, reported in:										
Capital Projects Funds	-	-	-	-	-	-	249,212	(31,104)	209,647	185,434
Special Revenue Funds	-	-	-	-	-	-	58,983	64,607	96,434	125,157
Total All Other Governmental Funds	<u>\$ 727,221</u>	<u>\$ 755,863</u>	<u>\$ 734,079</u>	<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>
Total for All Governmental Funds	<u>\$ 10,506,118</u>	<u>\$ 8,530,626</u>	<u>\$ 6,864,914</u>	<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>

Notes

a: In accordance with GASB Statement 73, fiscal year 2016 includes reclassification of the City's Law Enforcement Officers' pension trust fund into the General Fund.

b: 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Ad valorem taxes	\$ 6,319,302	\$ 6,125,558	\$ 6,427,962	\$ 5,752,690	\$ 5,462,314	\$ 5,259,600	\$ 5,297,691	\$ 5,193,534	\$ 5,138,248	\$ 5,055,444
Other taxes and licenses	33,455	117,026	275,929	186,542	404,224	2,496,141	2,328,959	2,482,544	2,654,438	2,251,029
Unrestricted intergovernmental	4,082,808	3,878,056	3,375,776	3,292,048	3,253,999	977,123	942,297	1,000,133	931,360	773,610
Restricted intergovernmental	511,273	574,195	589,000	464,060	1,858,484	1,019,041	1,648,073	507,059	572,888	527,811
Permits and fees	128,590	131,888	164,298	105,783	112,740	92,333	101,619	106,870	121,606	239,282
Sales and services	2,807,156	2,689,393	2,872,179	2,695,914	2,648,706	4,295,878	4,442,363	4,568,346	4,672,331	4,414,221
Investment earnings	23,227	6,933	8,858	5,024	5,974	10,524	10,777	70,107	181,623	154,968
Miscellaneous	217,181	213,806	88,690	177,921	153,051	500,645	496,282	492,953	2,173,266	1,012,085
Total Revenues	<u>14,122,992</u>	<u>13,736,855</u>	<u>13,802,692</u>	<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>
Expenditures										
General government	1,047,886	1,154,202	1,126,489	1,181,189	1,353,565	1,366,911	1,374,033	1,686,089	1,702,486	1,580,409
Public safety	5,952,930	5,966,824	6,173,693	5,920,178	5,716,570	5,874,069	6,256,868	6,512,334	5,994,425	5,486,023
Planning and community dev.	349,532	257,636	361,079	334,523	1,622,634	132,148	136,608	-	-	-
Economic and physical dev.	-	-	-	-	-	671,490	807,344	57,845	49,365	50,846
Code Compliance	-	-	-	-	-	170,385	130,751	-	-	-
Public services										
Transportation and other	1,472,296	1,385,926	1,451,389	1,432,838	1,482,282	-	-	-	-	-
Transportation and utilities	-	-	-	-	-	1,984,752	1,949,725	1,886,579	2,250,585	2,079,036
Cemetery	-	-	-	-	-	69,545	125,267	-	-	-
Environmental protection	999,201	809,958	853,437	794,968	837,848	791,878	674,421	900,958	998,673	974,812
Recreation and parks	1,309,376	1,205,754	1,299,305	1,349,608	1,254,367	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	1,494,213	1,558,605	2,816,159	2,767,056	2,703,844
Non-departmental										
Donation to local agencies	975,631	1,015,897	966,837	957,131	983,549	664,791	694,316	-	-	-
General Non-departmental	380,192	351,484	420,680	402,230	463,478	430,086	337,704	42,404	30,019	35,079
Debt Service:										
Principal	647,016	647,016	647,016	647,016	654,265	764,141	745,148	704,857	794,491	784,413
Interest	79,043	110,412	141,781	172,782	211,659	226,004	285,532	304,665	371,805	355,836
Lease purchases	52,134	52,136	53,612	71,280	79,401	-	-	-	-	-
Total Expenditures	<u>13,265,237</u>	<u>12,957,245</u>	<u>13,495,318</u>	<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>

Table 4

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Excess (Deficiency) of										
Revenues Over Expenditures	\$ 857,755	\$ 779,610	\$ 307,374	\$ (583,761)	\$ (760,126)	\$ 10,872	\$ 191,739	\$ (490,344)	\$ 1,486,855	\$ 378,152
Other Financing Sources (Uses)										
Transfer from other funds	833,300	856,382	788,072	914,707	1,391,353	298,423	460,723	159,244	111,995	192,336
Transfers to other funds	(97,100)	(119,992)	(52,324)	(14,199)	(125,257)	(327,186)	(182,086)	(355,301)	(634,608)	(260,244)
Installment Financing	266,427	149,712	-	-	-	98,131	-	72,979	118,620	79,886
Total Other Financing Sources and Uses	1,002,627	886,102	735,748	900,508	1,266,096	69,368	278,637	(123,078)	(403,993)	11,978
Net Change in Fund Balance	<u>\$ 1,860,382</u>	<u>\$ 1,665,712</u>	<u>\$ 1,043,122</u>	<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>
Total Expenditures	\$ 13,265,237	\$ 12,957,245	\$ 13,495,318	\$ 13,263,743	\$ 14,659,618	\$ 14,640,413	\$ 15,076,322	\$ 14,911,890		
Less: Capital Outlay Expenditures	(559,883)	(334,788)	(214,352)	(248,376)	(1,360,687)	(671,528)	(1,013,764)	(3,738,856)		
Total Noncapital Expenditures	<u>\$ 12,705,354</u>	<u>\$ 12,622,457</u>	<u>\$ 13,280,966</u>	<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	6.12%	6.41%	6.34%	6.85%	7.11%	7.09%	7.33%	9.04%	8.45%	8.46%

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 was 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
2016	\$ 780,077,593	\$ 115,907,941	\$ 11,578,527	884,407,007	0.6200
2015	802,972,715	188,467,082	11,773,994	979,665,803	0.6200
2014	807,811,498	212,797,127	11,995,274	1,008,613,351	0.6200
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

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

Fiscal Year Ended June 30,	City of		Total
	Henderson	Vance County	
2016	\$ 0.6200	\$ 0.7820	\$ 1.4020
2015	0.6200	0.7820	1.4020
2014	0.6200	0.7820	1.4020
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

Note

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

Fiscal Year Ended June 30,	Components of the Total Direct Rate		Total Direct Rate
	General Fund	Public Library Fund	
2016	\$ 0.6200	\$ -	\$ 0.6200
2015	0.6200	-	0.6200
2014	0.6200	-	0.6200
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

Table 7

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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
DLP Maria Parham Medical Center	\$ 93,069,358	1	10.52%			
Duke Energy Progress Inc.	16,359,110	2	1.85%			
Vescom America Real Estate	14,587,129	3	1.65%			
Wal-Mart Real Estate Bus. Trust	12,914,637	4	1.46%	\$ 8,332,516	3	1.09%
Ruin Creek Properties	11,722,461	5	1.33%			
WW Properties & Rentals LLC	11,651,023	6	1.32%	5,058,677	5	0.66%
Pacific Coast Feather Co.	11,149,682	7	1.26%			
Carolina Telephone	10,834,778	8	1.23%	5,871,205	4	0.77%
Libby Henderson Enterprises LLC	8,286,996	9	0.94%			
Rosemyr Corporation	7,255,117	10	0.82%	4,573,078	8	0.60%
Royal Home Fashions, Inc.				10,186,472	1	1.34%
Carolina Power & Light				9,559,876	2	1.26%
Galileo Henderson, LP				4,990,097	6	0.66%
Lowe's of Henderson				4,798,921	7	0.63%
Henderson Mall Limited				3,844,798	9	0.51%
Henderson Country Club Inc.				3,366,140	10	0.44%
	<u>\$ 197,830,291</u>		<u>22.38%</u>	<u>\$ 60,581,780</u>		<u>7.96%</u>

Note:

Above taxable assessed valuations are as of January 1, 2015 and 2006 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2016 and 2007 respectively.

Source:

Vance County Tax Office and 2007 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
2016	2015	\$ 6,333,277	\$	5,998,797	94.72%
2015	2014	6,080,830		5,886,491	96.80%
2014	2013	6,251,938		5,994,922	95.89%
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%

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	Percentage of Personal Income (1)	City Population Estimated (2)	Debt Per Capita
	Capital Leases	Notes Payable	Revenue Bonds	Capital Leases	Notes Payable				
2016	\$ 89,804	\$ 1,251,427	\$ 3,822,000	\$ 108,415	\$ 22,402,028	\$ 27,673,674	5.70%	15,271	\$ 1,812
2015	139,105	1,632,016	4,721,000	171,555	23,533,955	30,197,631	6.59%	15,265	1,978
2014	40,568	2,279,032	5,597,000	233,745	17,919,573	26,069,918	5.82%	15,345	1,699
2013	91,725	2,926,048	6,459,000	328,603	5,357,064	15,162,440	3.34%	15,320	990
2012	158,410	3,573,064	7,294,000	120,346	4,852,745	15,998,565	3.36%	15,330	1,044
2011	245,060	4,220,080	10,005,000	215,829	6,513,336	21,199,305	4.60%	15,368	1,379
2010	296,804	4,834,347	10,770,000	321,115	8,143,693	24,365,959	5.28%	15,777	1,544
2009	437,685	5,438,614	11,500,000	461,896	9,743,507	27,581,702	5.99%	15,850	1,740
2008	-	6,216,142	-	-	23,909,909	30,126,051	6.53%	15,897	1,895
2007	-	6,896,540	-	-	26,217,243	33,113,783	7.45%	15,951	2,076
2006	-	6,857,665	-	-	28,498,581	35,356,246	8.46%	15,906	2,223

Notes

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

1 - Personal income is disclosed on page 114

2 - 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			
2016	\$ -	0.000%	\$ -	-
2015	-	0.000%	-	-
2014	-	0.000%	-	-
2013	-	0.000%	-	-
2012	-	0.000%	-	-
2011	-	0.000%	-	-
2010	-	0.000%	-	-
2009	-	0.000%	-	-
2008	-	0.000%	-	-
2007	-	0.000%	-	-
2006	-	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
2015	\$ -	0.000%	\$ -
2015	-	0.000%	-
2014	-	0.000%	-
2013	-	0.000%	-
2012	-	0.000%	-
2011	-	0.000%	-
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-
2007	-	0.000%	-

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

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value		<u>\$ 1,016,889,401</u>
Debt Limit - Eight Percent (8%) of Assessed Value		81,351,152
Amount of Debt Applicable to Debt Limit		
Lease financing agreements	\$ 1,341,231	
Revolving Loan	<u>-</u>	
Total Debt	\$ 1,341,231	
Less - Statutory Deductions	<u>-</u>	<u>1,341,231</u>
Legal Debt Margin		<u>\$ 80,009,921</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Limit	\$ 81,351,152	\$ 78,373,264	\$ 80,689,068	\$ 79,191,708	\$ 72,504,878	\$ 70,461,665	\$ 70,966,308	\$ 71,996,101	\$ 60,776,511	\$ 60,900,087
Total Net Debt										
Applicable to Limit	<u>(1,341,231)</u>	<u>(1,771,121)</u>	<u>(2,319,600)</u>	<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>
Legal Debt Margin	<u>\$ 80,009,921</u>	<u>\$ 76,602,143</u>	<u>\$ 78,369,468</u>	<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>
Total Net Debt										
Applicable to the Limit as a Percentage of Debt Limit	1.65%	2.26%	2.87%	3.81%	5.15%	6.34%	6.29%	8.16%	10.23%	11.32%

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

Fiscal Year		(Vance				Public School
Ended	Population	County) Per	Personal	Unemployment	Total Labor	Enrollment
June 30,	Estimated (1)	Capita Income	Income	Rate (3)	Force (3)	(ADM) (4)
		(2)				
2016	15,271	\$31,792	\$485,495,632	7.50%	17,835	6,296
2015	15,265	\$30,024	\$458,316,360	9.40%	17,988	6,449
2014	15,345	\$29,179	\$447,751,755	9.40%	18,614	6,809
2013	15,320	\$29,632	\$453,962,240	12.80%	18,933	6,848
2012	15,330	\$31,058	\$476,119,140	14.20%	19,161	7,003
2011	15,368	\$29,972	\$460,609,696	14.10%	19,665	7,270
2010	15,777	\$29,263	\$461,682,351	13.50%	19,372	7,460
2009	15,850	\$29,074	\$460,822,900	12.30%	19,371	7,669
2008	15,897	\$29,040	\$461,648,880	14.40%	20,459	7,872
2007	15,951	\$27,857	\$444,347,007	8.40%	19,962	8,153
2006	15,906	\$26,269	\$417,834,714	7.30%	18,538	8,095

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

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

Employer	2016		2010	
	Employment Range	Rank	Employment Range	Rank
Vance County Schools	1000 +	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		
Xerox State Healthcare LLC	250-499	6		
County of Vance	250-499	7		
Pacific Coast Feather Company	250-499	8	500-999	4
Ardagh Glass Inc.	250-499	9		
Genco Distribution System	250-499	10		
City of Henderson			250-499	5
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

Table 15

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

	<u>FY</u> <u>06-07</u>	<u>FY</u> <u>07-08</u>	<u>FY</u> <u>08-09</u>	<u>FY</u> <u>09-10</u>	<u>FY</u> <u>10-11</u>	<u>FY</u> <u>11-12</u>	<u>FY</u> <u>12-13</u>	<u>FY</u> <u>13-14</u>	<u>FY</u> <u>14-15</u>	<u>FY</u> <u>15-16</u>
General government	22	22	20	20	21	18	13	12	13	15
Public safety	99	102	102	101	105	95	95	95	94	95
Transportation and utilities	17	17	16	20	20	20	19	18	18	18
Environmental protection	29	28	22	18	8	5	5	5	5	5
Cultural and recreation	16	14	15	15	15	15	17	15	14	12
Code compliance	3	3	3	2	2	2	2	2	-	-
Planning and community development	3	3	2	2	2	3	3	3	-	-
Development services	-	-	-	-	-	-	-	-	4	3
	<u>189</u>	<u>189</u>	<u>180</u>	<u>178</u>	<u>173</u>	<u>158</u>	<u>154</u>	<u>150</u>	<u>148</u>	<u>148</u>
Water Fund										
Engineering	4	4	3	3	3	3	4	4	4	4
Customer Service	-	-	-	-	-	-	10	10	10	10
Water distribution	<u>15</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>
	19	18	16	16	18	18	24	24	25	25
Sewer Fund										
Water reclamation facility	21	21	21	21	21	21	21	21	21	20
Sewer Collection	7	6	6	5	5	5	5	5	5	3
Sewer Collection I&I	-	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
	28	30	30	29	29	29	29	29	29	26
Regional Water System Fund	11	11	11	10	11	11	12	13	13	13
	<u>247</u>	<u>248</u>	<u>237</u>	<u>233</u>	<u>231</u>	<u>216</u>	<u>219</u>	<u>216</u>	<u>215</u>	<u>212</u>

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, 2016, 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 9, 2016.

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 9, 2016



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 Uniform Guidance 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 *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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 9, 2016



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 OMB Uniform Guidance 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 9, 2016

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:
 financial statements audited were prepared
 in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(s) identified?	_____ Yes	_____ <u>X</u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(s) identified?	_____ Yes	_____ <u>X</u> 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 2 CFR 200.516(a)

_____ 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 Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and
 Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<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 Housing and Urban Development –</u>				
Passed through N.C. Dept. of Environmental Quality:				
Community Development Block Grant	14.228	14-I-2658	\$ 74,831	\$ -
<u>U.S. Department of Justice</u>				
Bureau of Justice Assistance				
Passed through N.C. Dept. of Public Safety				
Bulletproof Vest Partnership Program	16.607	2014 BUBX14070762	3,985	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1053	15,994	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1076	10,815	-
<u>U.S. Environmental Protection Agency</u>				
Office of Water				
Passed through N.C. Dept. of Environment and Natural Resources:				
Capitalization Grants for State Revolving Funds				
Clean Water State Revolving Funds	66.458	CS-370410-06	15,956,703	-
Clean Water State Revolving Funds	66.458	CS-370410-07	1,630,362	-
Clean Water State Revolving Funds	66.458	CS-370410-08	145,412	-
Drinking Water State Revolving Funds	66.468	FS-984338.13	1,831,483	-
Drinking Water State Revolving Funds	66.468	FS-984338.XX	968,618	-
			<u>20,638,203</u>	<u>-</u>
Total Federal Awards			<u>20,638,203</u>	<u>-</u>
STATE AWARDS				
<u>N.C. Department of Natural and Cultural Resources</u>				
NC Clean Water Trust Fund		2012-539	\$ -	\$ 488,709
<u>N.C. Department of Transportation</u>				
Powell Bill		32570	-	235,108
			<u>-</u>	<u>235,108</u>
Total State Awards			<u>-</u>	<u>723,817</u>
Total Federal and State Awards			<u>\$ 20,638,203</u>	<u>\$ 723,817</u>

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

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 (SEFSA) includes the federal and state grant activity of the City of Henderson, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the City of Henderson, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

2 Summary of Significant Accounting Policies

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

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

3 Loans Outstanding

The City of Henderson had the following loan balances outstanding at June 30, 2016. for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

<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	CS-370410-06	\$ 15,150,953
Clean Water	66.458	CS-370410-07	772,759
Clean Water	66.458	CS-370410-08	145,412
Drinking Water	66.468	FS-984338.13	1,736,554
Drinking Water	66.468	FS-984338.XX	912,168