

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF HENDERSON
HENDERSON, NORTH CAROLINA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF HENDERSON, NORTH CAROLINA
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Introductory Section



December 16, 2015

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, 2015. 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, 2015, 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, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

Summary Profile of the City of Henderson

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

Henderson was founded in 1811 and incorporated in 1841. It became the Vance County seat of government when the county was formed in 1844. It has utilized the Council-Manager form of government since 1966. The Mayor and 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 Mondays of each month in order to conduct the business of the City.

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

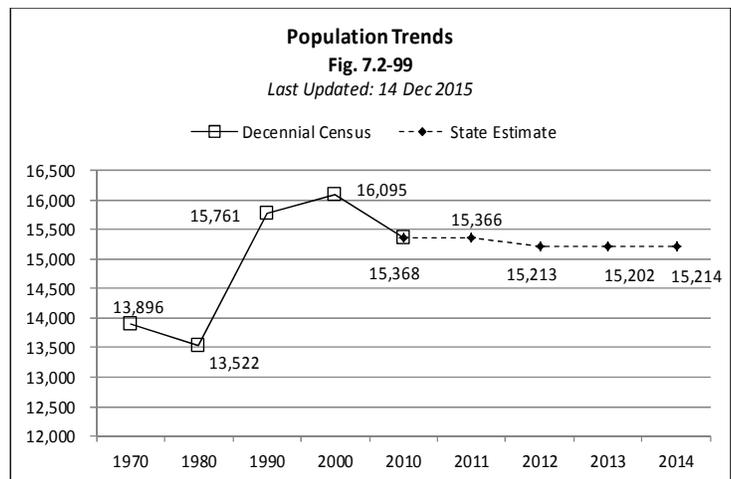
The City Council also appoints the City Attorney and City Clerk. The City Attorney serves at the pleasure of the Council and provides legal advice and guidance to the Council, prepares ordinances and defends the City as appropriate should litigation arise. The City Clerk serves as the official *Keeper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

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

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

The *Annual Operating and Capital Budget* serves as the foundation of the City’s financial planning and control. The City Council is required to hold a public hearing on the City Manager’s recommended budget and to adopt a final budget no later than 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. Six major banks and several credit unions are also located within the area. Major manufacturing products include home furnishings, glass, pet food, and solar panels. Four major distribution facilities exist in the area, along with several smaller ones. Henderson's location is in the geographic center of Vance County and bisected by I-85 and U.S. Hwy 1, making it an excellent location for manufacturing and distribution.

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

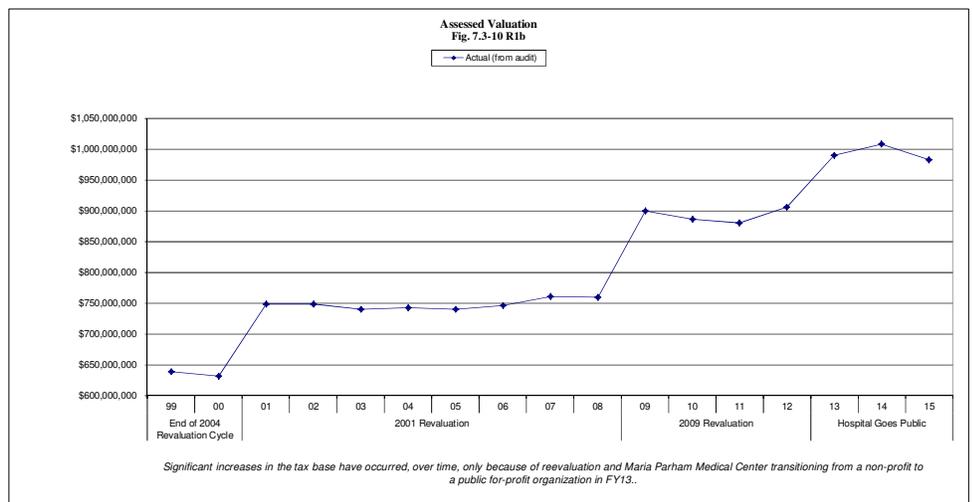
Tourism plays a major role in the region's economy. The Vance County Tourism Office manages various events including *Show, Shine, Shag & Dine*, a major classic cars event held in October, and fishing tournaments at Kerr Lake.

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 for the next phase of the Embassy Square project and the theatre is nearing completion with events scheduled for early 2016. This phase will provide for a 1,000 seat performing arts center in the heart of downtown Henderson and is being funded through private funds. In addition, an Executive Director has been hired. 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 engaged with two major infrastructure projects. The first evolves around the total renovation and upgrading of the wastewater treatment facility. This is an \$18.5M project and is nearing completion. Although it is not yet completed, 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 underway to double the size of the Kerr Lake Regional Water Treatment Facility from 10MGD to 20MGD. 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, an Engineer will be selected to perform the modifications to the plans. It is anticipated this project will begin construction in late 2016 and will assure adequate potable water for the future for business, industry and residential uses. The Sandy Creek Pump Station Project is nearing completion and a sewer interceptor replacement project will begin soon.

The assessed valuation has remained stable since the Maria Parham/Duke Life Point Medical Center transition to public and the final numbers of the valuation resolved. An assessed valuation trend analysis provided in the adjoining graph reveals the assessed tax base is just under \$1B. The next octennial re-evaluation of the city has been underway and will be finalized in 2016.



Revenues for the fiscal year ending 30 June 2015 reveal an increase in collections of property taxes over the previous year.

Long-Term Financial Planning

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

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

Since 2005 when the unassigned general fund balance dipped dangerously low to an unacceptable level, the governing body's goal has been restore it to a minimum of 30%.

Although 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 \$5,304,725 or 41% of General Fund expenditures.

Major Initiatives

The City's fiscal year ending June 30, 2015 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 \$5,304,725.
- Contributions made to water and sanitary sewer rate stabilization funds.

For the Future

The FY15-16 Annual Operating and Capital Budget was approved by City Council on 22 June 2015. The FY16 Budget, inclusive of all funds, is \$37,892,600. The new budget increased the City water rate by 4%, the sanitary sewer rate by 9% and the Regional water rate by 5%. The FY15-16 operating budget is constrained due to the effects of the on-going Recession; however, it funds the continuation of current operational costs associated with the City's needs.

Awards and Acknowledgements

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

I believe it is important to note that there was a good amount of transition in staff over the 2014 – 2015 period. The then existing City Manager retired in October 2014 and a former Interim City Manager, Mr. Ed Wyatt was hired to take the reins until such time as a permanent City Manager was selected. I was appointed as City Manager in July 2015 with over 30 years of service with the City. Unfortunately, soon after I took office, Finance Director Kathy Brafford left for

another position and shortly after, the Assistant Finance Director also left for another position. Ms. Lisa Boyd, a long term veteran employee of finance has been promoted to the Assistant Finance Director and we are currently recruiting for a new Finance Director. Even though we have faced many challenges, the staff has done a very good job of insuring our finances are in order during this transition time frame. We do however; hope to be fully staffed during the next audit period.

Respectfully submitted,

Frank Frazier
City Manager



**CITY OF HENDERSON
ORGANIZATION CHART AS OF JUNE 2015**

Mayor and City Council
Mayor James D. O'Geary

Sara M. Coffey	James C. Kearney, Sr.
Michael C. Inscoc	D. Michael Rainey
Brenda G. Peace-Jenkins	Garry D. Daeke
George M. Daye	Fearldine A. Simmons

City Clerk
Esther J. McCrackin

City Attorney
D. Rix Edwards

Interim City Manager
Ed Wyatt

Executive Assistant
Patricia Pearson

Assistant City Manager
Frank Frazier

Finance
Kathy Brafford

Budget
Revenue Collection
Cash Management
Payroll
Accounting
Business License
Utility Billing

Human Resources
Cathy Brown

Recruitment
Orientation
Evaluation
Employee Relations
Benefits Adm.
Risk Management

Police
Marcus Barrow

Administration
Patrol
Drug Enforcement
Crime Prevention

Development Services
Corey Williams

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

Water Reclamation
Tom Spain

Treatment
Testing
Monitoring
I & I

Regional Water
Christy Lipscomb

Treatment
Testing
Monitoring

Engineering
Clark Thomas

Surveying
Mapping
Construction
Mgmt/Eng Services
Public Buildings

Recreation & Parks
Kendrick Vann

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

Fire
Danny Wilkerson

Suppression
Rescue
Training
Fire Protection
Inspection
EMT Inspection

Public Services Director
Mike Ross

Fiscal Compliance Officer
Edna Vaught

Customer Service
Fleet Maintenance
Cemetery

Sanitation
James Taylor

Recycling
Bulk Debris
Grounds
Maintenance

Operations Division
Andy Perkinson

I & I
Sewer Coll.
Water Distrib.
Streets
Storm Drainage
Right of Way
Mowing

Mayor and Members of City Council

James D. O'Geary
Mayor

Members of City Council

Sara M. Coffey
Garry D. Daeke
George M. Daye
Fearldine A. Simmons

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

City Administration

Ed Wyatt
City Manager, Interim

D. Rix Edwards
City Attorney

Katherine C. Brafford
Finance Director

Esther J. McCrackin
City Clerk

Franklin W. Frazier
Assistant 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, 2015, 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, 2015, 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 and the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 65 and 66, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 67, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Henderson's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 16, 2015 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 16, 2015



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, 2015. 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

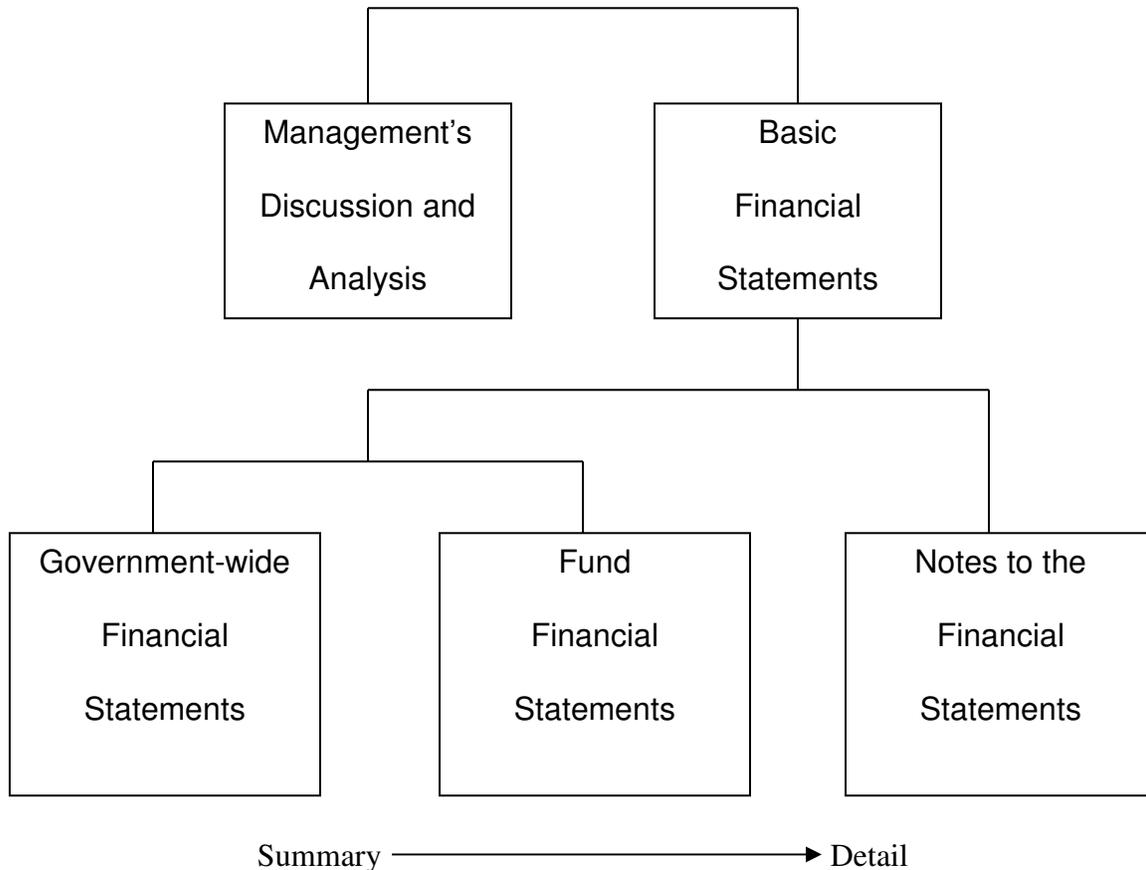
- The assets and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$96,293,961 (*net position*).
- The government's total net position increased by \$4,871,323. Current year activities increased net position by \$6,126,237, while a restatement for the recognition of local government retirement system activities in accordance with new accounting standards decreased net position by \$1,254,914.
- As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$8,530,626 with a net change of \$1,665,712 in fund balance. Approximately 31 percent of this total amount, or \$2,693,934, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,304,725 or 41.2 percent of total general fund expenditures for the fiscal year.
- The City of Henderson's total recorded debt increased by \$4,127,713 (15.8%) during the current fiscal year. 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. These loans are for a variety of projects, primarily for improvements at the City's Water Reclamation Facility, pump station and sewer main replacements.

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

Management Discussion and Analysis
City of Henderson

and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 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 65 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 10,254,643	\$ 8,235,465	\$ 22,403,492	\$ 20,047,350	\$ 32,658,135	\$ 28,282,815
Capital assets	18,158,704	18,426,857	86,370,951	80,813,131	104,529,655	99,239,988
Deferred outflows of resources	370,246	371,364	142,794	143,225	513,040	514,589
Total assets and deferred outflows of resources	28,783,593	27,033,686	108,917,237	101,003,706	137,700,830	128,037,392
Long-term liabilities outstanding	5,671,699	7,333,631	29,769,399	25,508,830	35,441,098	32,842,461
Other liabilities	668,049	773,492	3,164,374	4,252,881	3,832,423	5,026,373
Deferred inflows of resources	1,542,185	834	591,163	-	2,133,348	834
Total liabilities and deferred inflows of resources	7,881,933	8,107,957	33,524,936	29,761,711	41,406,869	37,869,668
Net position:						
Net investment in capital assets	16,387,583	16,107,257	57,944,442	57,062,814	74,332,025	73,170,071
Restricted	2,693,934	2,697,355	-	-	2,693,934	2,697,355
Unrestricted	1,820,143	121,117	17,447,859	14,179,181	19,268,002	14,300,298
Total net position	\$ 20,901,660	\$ 18,925,729	\$ 75,392,301	\$ 71,241,995	\$ 96,293,961	\$ 90,167,724

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 \$96,293,961 as of June 30, 2015. The City's net position increased by \$4,871,323 from the fiscal year ended June 30, 2015. The largest portion (77%) 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, \$2,693,934 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$19,268,961 is unrestricted.

Also, the City of Henderson implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,254,914. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Henderson's management.

Management Discussion and Analysis
City of Henderson

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

- Achieving a tax collection percentage of 96.8%, an increase of 0.91% over the prior year's percentage of 95.89%.

City of Henderson's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,821,281	\$ 3,036,477	\$ 14,999,113	\$ 14,775,363	\$ 17,820,394	\$ 17,811,840
Operating grants and contributions	478,665	535,648	-	-	478,665	535,648
Capital grants and contributions	96,478	63,481	448,481	383,429	544,959	446,910
General revenues:						
Property taxes	5,969,044	6,292,225	-	-	5,969,044	6,292,225
Other taxes	117,026	275,929	-	-	117,026	275,929
Grants and contributions not restricted to specific programs	3,880,556	3,375,776	-	-	3,880,556	3,375,776
Other	217,295	87,419	252,236	315,044	469,531	402,463
Total revenues	13,580,345	13,666,955	15,699,830	15,473,836	29,280,175	29,140,791
Expenses:						
General government	1,563,433	1,682,775	-	-	1,563,433	1,682,775
Public safety	5,800,755	6,343,595	-	-	5,800,755	6,343,595
Planning and community development	254,659	376,614	-	-	254,659	376,614
Transportation and other	1,497,998	1,584,661	-	-	1,497,998	1,584,661
Environmental protection	822,787	884,873	-	-	822,787	884,873
Recreation and parks	1,276,472	1,451,755	-	-	1,276,472	1,451,755
Local agencies and shared programs	1,015,897	966,837	-	-	1,015,897	966,837
Interest on long-term debt	108,803	141,665	-	-	108,803	141,665
Water	-	-	5,043,339	4,893,999	5,043,339	4,893,999
Sewer	-	-	3,279,344	3,485,847	3,279,344	3,485,847
Regional Water System	-	-	2,490,451	2,588,840	2,490,451	2,588,840
Total expenses	12,340,804	13,432,775	10,813,134	10,968,686	23,153,938	24,401,461
Increase (decrease) in net position before transfers						
	1,239,541	234,180	4,886,696	4,505,150	6,126,237	4,739,330
Transfers						
	736,390	735,748	(736,390)	(735,748)	-	-
Extraordinary event: loss on settlement						
	-	-	-	(8,190,590)	-	(8,190,590)
Increase (decrease) in net position	1,975,931	969,928	4,150,306	(4,421,188)	6,126,237	4,739,330
Net position, July 1						
	19,831,365	18,861,437	71,591,273	76,012,461	91,422,638	94,873,898
GASB 68 Restatement (Note VIII)	(905,636)	-	(349,278)	-	(1,254,914)	-
Net assets, July 1 (Restated)	18,925,729	18,861,437	71,241,995	76,012,461	90,167,724	94,873,898
Net position, June 30	\$ 20,901,660	\$ 19,831,365	\$ 75,392,301	\$ 71,591,273	\$ 96,293,961	\$ 91,422,638

Governmental activities. Governmental activities increased the City's net position by \$1,975,931. 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 \$4,150,306. Key elements of this increase are as follows:

- 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 \$6,614,480, while total fund balance reached \$7,774,763. 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, 2015, General Fund unassigned fund balance totaled \$5,304,725, or 41.2% of General fund expenditures for the year then ended. Per the calculation used by the LGC, the City's fund balance available is 51.39% of prior year expenditures. The fund balance policy established by the City Council in 2006 has a long-term action item to grow the unassigned fund balance to 30% of prior year expenditures.

At June 30, 2015, the governmental funds of City of Henderson reported a combined fund balance of \$8,530,626 with a net increase in fund balance of \$1,665,712 with the majority of that increase being 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.

Revenues came in over the budgeted amounts by \$442,567. Expenditures were less than budget by \$1,746,455 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 \$7,020,467 at the end of the fiscal year; the Sewer Fund amounted to \$3,789,142; and the Regional Water System Fund amounted to \$6,638,250. The total change in net position from current year activity for the Water, Sewer and Regional Water System Funds was \$1,371,736, \$918,143, and \$1,860,427 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, 2015, totals \$104,529,655 (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:

- General Fund equipment purchases of \$303,784, primarily consisting of Public Safety vehicles.
- Increases in construction in progress for Water Fund of \$616,883.
- Increases in construction in progress for Sewer Fund of \$5,306,337.
- Close-out of the \$1,118,109 Sewer Fund Sanitary Sewer Rehabilitation construction project, now represented as part of the Sewer Fund distribution system.
- Increases in construction in progress for Regional Water System Fund of \$1,159,648.

**City of Henderson’s Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
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	15,162,051	15,545,717	16,243,435	16,794,584	31,405,486	32,340,301
Distribution Systems	565,034	570,317	-	-	565,034	570,317
Equipment & Vehicles	-	-	42,297,495	42,043,538	42,297,495	42,043,538
Construction in progress	578,693	454,141	548,698	658,444	1,127,391	1,112,585
Water Storage Rights	337,743	341,499	22,828,619	16,863,860	23,166,362	17,205,359
	-	-	2,375,336	2,375,336	2,375,336	2,375,336
Total	\$ 18,158,704	\$ 18,426,857	\$ 86,370,951	\$ 80,813,130	\$ 104,529,655	\$ 99,239,987

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, 2015, the City of Henderson had total debt outstanding of \$30,197,631, 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	
	2015	2014	2015	2014	2015	2014
Installment Loans	\$ 1,632,016	\$ 2,279,032	\$ 23,533,955	\$ 17,919,573	\$ 25,165,971	20,198,605
Capital Leases	139,105	40,568	171,555	233,745	310,660	274,313
Revenue bonds (private placement)	-	-	4,721,000	5,597,000	4,721,000	5,597,000
Total	\$ 1,771,121	\$ 2,319,600	\$ 28,426,510	\$ 23,750,318	\$ 30,197,631	\$ 26,069,918

City of Henderson's Outstanding Debt

The City of Henderson's total recorded debt increased by \$4,127,713 (15.8%) during the past fiscal year, primarily due to new installment loans for capital projects. The City has several capital projects underway in its enterprise funds which involve the issuance of new debt, in the form of revolving loan agreements, for which the draw-down phase has not yet been completed and repayment of the loans has not yet begun. These loans encompass a variety of projects, the largest of which involves much needed improvements at the City's Water Reclamation Facility, which has a total project budget of \$18,218,360.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Henderson is \$76,602,143.

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. 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 9.4%, approximately the same as the previous year.

Budget Highlights for the Fiscal Year Ending June 30, 2016

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. No tax increase was approved in the upcoming year's budget.

Sales taxes are the second largest revenue producer for the City's General fund and are budgeted to decrease approximately 1.8% from the prior year.

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 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 2016.

Business-type Activities: The water rates in the City will increase by ~~3.5%~~ and sewer rates will increase by ~~3%~~, primarily to help cover increased debt due to several capital projects which are currently underway in both of these enterprise funds. Regional Water System Rates will increase by ~~4%~~, to help fund some upcoming capital projects in that fund.

NOTE: the above paragraph has stated the rates incorrectly. It should read as follows:
"The water rates in the City will increase by 4.0% and sewer rates will increase by 9.0%, "
Also, " Regional Water System Rates will increase by 5.0% "

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to City Manager 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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,384,016	\$ 17,889,705	\$ 25,273,721
Property taxes receivable, net	367,318	-	367,318
Accrued interest receivable on taxes	81,443	-	81,443
Accounts receivable, net	284,250	2,221,372	2,505,622
Due from other governments	876,033	-	876,033
Inventories	-	59,733	59,733
Current portion of notes receivable	-	43,750	43,750
Restricted cash and cash equivalents	<u>657,270</u>	<u>336,973</u>	<u>994,243</u>
Total current assets	9,650,330	20,551,533	30,201,863
Non-current assets			
Security deposits	-	142	142
Net pension asset	604,313	233,067	837,380
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,852,926	27,281,323	29,134,249
Other capital assets, net of depreciation	<u>16,305,778</u>	<u>59,089,628</u>	<u>75,395,406</u>
Total capital assets	18,158,704	86,370,951	104,529,655
Notes receivable:			
Due in more than one year	<u>-</u>	<u>1,618,750</u>	<u>1,618,750</u>
Total non-current assets	<u>18,763,017</u>	<u>88,222,910</u>	<u>106,985,927</u>
 Total assets	 <u>28,413,347</u>	 <u>108,774,443</u>	 <u>137,187,790</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	<u>370,246</u>	<u>142,794</u>	<u>513,040</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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 661,570	\$ 917,327	\$ 1,578,897
Contingent liability (Note II.B.5)	-	1,853,416	1,853,416
Accrued interest payable	6,479	56,658	63,137
Current portion of long-term liabilities	852,725	2,031,193	2,883,918
Payable from restricted assets	-	336,973	336,973
Total current liabilities	<u>1,520,774</u>	<u>5,195,567</u>	<u>6,716,341</u>
Long-term liabilities			
Due in more than one year	<u>4,818,974</u>	<u>27,738,206</u>	<u>32,557,180</u>
Total liabilities	<u>6,339,748</u>	<u>32,933,773</u>	<u>39,273,521</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	9,373	-	9,373
Pension deferrals	<u>1,532,812</u>	<u>591,163</u>	<u>2,123,975</u>
Total deferred inflows of resources	<u>1,542,185</u>	<u>591,163</u>	<u>2,133,348</u>
NET POSITION			
Net investment in capital assets	16,387,583	57,944,442	74,332,025
Restricted			
Perpetual maintenance	431,085	-	431,085
Stabilization by State Statute	1,160,283	-	1,160,283
Public Safety	445,296	-	445,296
Streets - Powell Bill	549,308	-	549,308
Planning and Community Development	35,699	-	35,699
Capital Reserves	72,263	-	72,263
Unrestricted	<u>1,820,143</u>	<u>17,447,859</u>	<u>19,268,002</u>
Total net position	<u>\$ 20,901,660</u>	<u>\$ 75,392,301</u>	<u>\$ 96,293,961</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, 2015

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	\$ 1,563,433	\$ -	\$ -	\$ -	\$ (1,563,433)	\$ -	\$ (1,563,433)
Public safety	5,800,755	131,888	1,500	50,143	(5,617,224)	-	(5,617,224)
Planning and community development	254,659	29,818	-	46,335	(178,506)	-	(178,506)
Public services							
Transportation and other	1,497,998	14,250	463,907	-	(1,019,841)	-	(1,019,841)
Environmental protection	822,787	1,796,749	9,810	-	983,772	-	983,772
Recreation and parks	1,276,472	848,576	3,448	-	(424,448)	-	(424,448)
Local agencies and shared programs	1,015,897	-	-	-	(1,015,897)	-	(1,015,897)
Interest on long-term debt	<u>108,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,803)</u>	<u>-</u>	<u>(108,803)</u>
Total governmental activities	12,340,804	2,821,281	478,665	96,478	(8,944,380)	-	(8,944,380)
Business-type Activities:							
Water	5,043,339	5,871,135	-	-	-	827,796	827,796
Sewer	3,279,344	4,467,555	-	448,481	-	1,636,692	1,636,692
Regional Water System	<u>2,490,451</u>	<u>4,660,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,169,972</u>	<u>2,169,972</u>
Total business-type activities	<u>10,813,134</u>	<u>14,999,113</u>	<u>-</u>	<u>448,481</u>	<u>-</u>	<u>4,634,460</u>	<u>4,634,460</u>
Total primary government	<u>\$ 23,153,938</u>	<u>\$ 17,820,394</u>	<u>\$ 478,665</u>	<u>\$ 544,959</u>	<u>(8,944,380)</u>	<u>4,634,460</u>	<u>(4,309,920)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purposes					5,969,044	-	5,969,044
Other taxes					117,026	-	117,026
Grants and contributions not restricted to specific programs					3,880,556	-	3,880,556
Unrestricted investment earnings					6,933	17,891	24,824
Miscellaneous					<u>210,362</u>	<u>234,345</u>	<u>444,707</u>
Total general revenues not including transfers					10,183,921	252,236	10,436,157
Transfers					<u>736,390</u>	<u>(736,390)</u>	<u>-</u>
Total general revenues and transfers					<u>10,920,311</u>	<u>(484,154)</u>	<u>10,436,157</u>
Change in net position					<u>1,975,931</u>	<u>4,150,306</u>	<u>6,126,237</u>
Net position, beginning, previously reported					19,831,365	71,591,273	91,422,638
Restatement (Note VIII)					<u>(905,636)</u>	<u>(349,278)</u>	<u>(1,254,914)</u>
Total net position, as restated					<u>18,925,729</u>	<u>71,241,995</u>	<u>90,167,724</u>
Net position, ending					<u>\$ 20,901,660</u>	<u>\$ 75,392,301</u>	<u>\$ 96,293,961</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, 2015

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,765,225	\$ 618,791	\$ 7,384,016
Restricted cash and cash equivalents	519,459	137,811	657,270
Property tax receivable, net	367,318	-	367,318
Accounts receivable, net	284,250	-	284,250
Due from other governments	876,033	-	876,033
	<u>8,812,285</u>	<u>756,602</u>	<u>9,568,887</u>
Total assets	<u>\$ 8,812,285</u>	<u>\$ 756,602</u>	<u>\$ 9,568,887</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 660,831	\$ 739	\$ 661,570
Total liabilities	<u>660,831</u>	<u>739</u>	<u>661,570</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	367,318	-	367,318
Prepaid taxes	9,373	-	9,373
Total deferred inflows of resources	<u>376,691</u>	<u>-</u>	<u>376,691</u>
FUND BALANCES			
Non Spendable			
Perpetual maintenance	-	431,085	431,085
Restricted			
Stabilization by State Statute	1,160,283	-	1,160,283
Public Safety	445,296	-	445,296
Streets - Powell Bill	519,459	29,849	549,308
Planning and Community Development	-	35,699	35,699
Capital reserves	-	72,263	72,263
Assigned			
Special revenue funds	-	4,171	4,171
Capital project funds	-	182,796	182,796
Subsequent year's expenditures	345,000	-	345,000
Unassigned	5,304,725	-	5,304,725
Total fund balances	<u>7,774,763</u>	<u>755,863</u>	<u>8,530,626</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,812,285</u>	<u>\$ 756,602</u>	<u>\$ 9,568,887</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, 2015

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

Total Fund Balance, Governmental Funds	\$	8,530,626
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	41,679,044
Accumulated depreciation		<u>(23,520,340)</u>
		18,158,704
Net pension asset		604,313
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		370,246
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		81,443
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		367,318
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt		(1,771,121)
Compensated absences		(372,491)
Net pension obligation		(255,743)
Other postemployment benefits		<u>(3,272,344)</u>
		(5,671,699)
Pension related deferrals		(1,532,812)
Other long term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		<u>(6,479)</u>
Net position of governmental funds	\$	<u>20,901,660</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, 2015

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 6,125,558	\$ -	\$ 6,125,558
Other taxes and licenses	117,026	-	117,026
Unrestricted intergovernmental	3,878,056	-	3,878,056
Restricted intergovernmental	475,217	98,978	574,195
Permits and fees	131,888	-	131,888
Sales and services	2,689,393	-	2,689,393
Investment earnings	6,847	86	6,933
Miscellaneous	213,762	44	213,806
Total revenues	<u>13,637,747</u>	<u>99,108</u>	<u>13,736,855</u>
EXPENDITURES			
Current:			
General government	1,154,202	-	1,154,202
Public safety	5,900,823	66,001	5,966,824
Planning and community development	236,621	21,015	257,636
Public services			
Transportation and other	1,385,926	-	1,385,926
Environmental protection	809,958	-	809,958
Recreation and parks	1,205,754	-	1,205,754
Non-departmental			
Local agencies and shared programs	1,015,897	-	1,015,897
General non-departmental	351,484	-	351,484
Debt service:			
Principal	647,016	-	647,016
Interest and other charges	110,412	-	110,412
Lease purchases	52,136	-	52,136
Total expenditures	<u>12,870,229</u>	<u>87,016</u>	<u>12,957,245</u>
Excess (deficiency) of revenues over expenditures	<u>767,518</u>	<u>12,092</u>	<u>779,610</u>
OTHER FINANCING SOURCES (USES)			
Capital lease obligations issued	149,712	-	149,712
Transfers from other funds	839,995	16,387	856,382
Transfers (to) other funds	(113,297)	(6,695)	(119,992)
Total other financing sources (uses)	<u>876,410</u>	<u>9,692</u>	<u>886,102</u>
Net change in fund balance	1,643,928	21,784	1,665,712
FUND BALANCES, beginning	<u>6,130,835</u>	<u>734,079</u>	<u>6,864,914</u>
FUND BALANCES, ending	<u>\$ 7,774,763</u>	<u>\$ 755,863</u>	<u>\$ 8,530,626</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, 2015

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

Net changes in fund balances - total governmental funds	\$	1,665,712
<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	334,788	
Depreciation expense for governmental assets	<u>(602,941)</u>	(268,153)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		370,246
<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	(130,524)	
Change in accrued interest on taxes receivable	<u>(25,990)</u>	(156,514)
<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	(149,712)	
Principal payments on long-term debt	698,190	
Change in accrued interest payable	<u>2,574</u>	551,052
<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	23,914	
Pension expense	(22,864)	
Net LEO pension obligation	3,807	
Other postemployment benefits	<u>(191,269)</u>	<u>(186,412)</u>
Total adjustments		<u>310,219</u>
Total changes in net position of governmental activities	\$	<u><u>1,975,931</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, 2015

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 6,032,900	\$ 6,032,900	\$ 6,125,558	\$ 92,658
Other taxes and licenses	224,000	224,000	117,026	(106,974)
Unrestricted intergovernmental	3,242,600	3,332,600	3,878,056	545,456
Restricted intergovernmental	450,000	452,500	475,217	22,717
Permits and fees	315,000	315,000	131,888	(183,112)
Sales and services	2,800,800	2,800,800	2,689,393	(111,407)
Investment earnings	4,000	4,000	6,847	2,847
Miscellaneous	29,100	53,380	213,762	160,382
Total revenues	<u>13,098,400</u>	<u>13,215,180</u>	<u>13,637,747</u>	<u>422,567</u>
EXPENDITURES				
Current:				
General government	1,226,000	1,279,180	1,154,202	124,978
Public safety	6,549,200	6,674,849	5,900,823	774,026
Planning and community development	318,000	318,200	236,621	81,579
Public services				
Transportation and other	1,632,000	1,665,350	1,385,926	279,424
Environmental protection	921,000	910,100	809,958	100,142
Recreation and parks	1,403,000	1,414,080	1,205,754	208,326
Non-departmental				
Local agencies and shared programs	1,006,800	1,036,800	1,015,897	20,903
General non-departmental	481,000	508,410	351,484	156,926
Debt service:				
Lease purchase payments	21,100	52,230	52,136	94
Principal	731,100	647,070	647,016	54
Interest and other charges	123,300	110,415	110,412	3
Total expenditures	<u>14,412,500</u>	<u>14,616,684</u>	<u>12,870,229</u>	<u>1,746,455</u>
Excess (deficiency) of revenues over expenditures	<u>(1,314,100)</u>	<u>(1,401,504)</u>	<u>767,518</u>	<u>2,169,022</u>
OTHER FINANCING SOURCES (USES)				
Capital lease obligations issued	-	149,712	149,712	-
Transfers from other funds	989,100	995,795	839,995	(155,800)
Transfers (to) other funds	-	(113,303)	(113,297)	6
Total other financing sources (uses)	<u>989,100</u>	<u>1,032,204</u>	<u>876,410</u>	<u>(155,794)</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(325,000)</u>	<u>(369,300)</u>	<u>1,643,928</u>	<u>2,013,228</u>
Fund balance appropriated	<u>325,000</u>	<u>369,300</u>	<u>-</u>	<u>(369,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,643,928</u>	<u>\$ 1,643,928</u>
FUND BALANCES, beginning			<u>6,130,835</u>	
FUND BALANCES, ending			<u>\$ 7,774,763</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, 2015

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,065,353	\$ 3,879,713	\$ 6,944,639	\$ 17,889,705
Accounts receivable				
Customer receivables (net)	534,212	492,670	164,334	1,191,216
Capital project receivables	165,806	338,407	525,943	1,030,156
Inventories	-	14,164	45,569	59,733
Current portion of notes receivable	43,750	-	-	43,750
Restricted cash and cash equivalents	336,973	-	-	336,973
Total current assets	<u>8,146,094</u>	<u>4,724,954</u>	<u>7,680,485</u>	<u>20,551,533</u>
Non-current assets				
Security deposits	142	-	-	142
Net pension asset	79,182	100,626	53,259	233,067
Capital assets				
Land, non-depreciable assets, and construction in progress	3,846,908	17,769,737	5,664,678	27,281,323
Other capital assets, net of depreciation	15,963,797	24,172,698	18,953,133	59,089,628
Total capital assets	<u>19,810,705</u>	<u>41,942,435</u>	<u>24,617,811</u>	<u>86,370,951</u>
Notes receivable				
Due in more than one year	1,618,750	-	-	1,618,750
Total non-current assets	<u>21,508,779</u>	<u>42,043,061</u>	<u>24,671,070</u>	<u>88,222,910</u>
Total assets	<u>29,654,873</u>	<u>46,768,015</u>	<u>32,351,555</u>	<u>108,774,443</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	48,513	61,651	32,630	142,794

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, 2015

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	85,734	178,905	652,688	917,327
Contingent liability (Note II.B.5)	1,853,416	-	-	1,853,416
Accrued interest payable	19,583	2,928	34,147	56,658
Current portion of long-term liabilities	1,007,826	267,757	755,610	2,031,193
Liabilities payable from restricted assets				
Customer/security deposits	336,973	-	-	336,973
Total current liabilities	<u>3,303,532</u>	<u>449,590</u>	<u>1,442,445</u>	<u>5,195,567</u>
Long-term liabilities				
Other postemployment benefits	337,734	615,484	285,411	1,238,629
Compensated absences payable	16,458	15,273	225	31,956
Due in more than one year	6,087,405	17,143,705	3,236,511	26,467,621
Total long-term liabilities	<u>6,441,597</u>	<u>17,774,462</u>	<u>3,522,147</u>	<u>27,738,206</u>
Total liabilities	<u>9,745,129</u>	<u>18,224,052</u>	<u>4,964,592</u>	<u>32,933,773</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>200,841</u>	<u>255,233</u>	<u>135,089</u>	<u>591,163</u>
NET POSITION				
Net investment in capital assets	12,736,949	24,561,239	20,646,254	57,944,442
Unrestricted	<u>7,020,467</u>	<u>3,789,142</u>	<u>6,638,250</u>	<u>17,447,859</u>
Total net position	<u>\$ 19,757,416</u>	<u>\$ 28,350,381</u>	<u>\$ 27,284,504</u>	<u>\$ 75,392,301</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, 2015

	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Regional Water System Fund	
OPERATING REVENUES				
Charges for services	\$ 5,777,201	\$ 4,429,590	\$ 4,640,830	\$ 14,847,621
Water reservation fees	9,125	-	-	9,125
Tap fees	42,566	3,000	-	45,566
Other operating revenues	83,505	34,965	19,593	138,063
Total operating revenues	<u>5,912,397</u>	<u>4,467,555</u>	<u>4,660,423</u>	<u>15,040,375</u>
OPERATING EXPENSES				
Administration and engineering	238,701	-	-	238,701
Public services administration	38,718	-	-	38,718
Water distribution operations	3,736,541	-	-	3,736,541
Customer service	426,554	-	-	426,554
Water reclamation facility	-	1,957,781	-	1,957,781
Sewer collection operations	-	294,272	-	294,272
Sewer I & I operations	-	153,558	-	153,558
Regional water plant	-	-	1,857,646	1,857,646
Non-departmental	61,582	96,237	21,200	179,019
Depreciation	396,660	751,514	480,508	1,628,682
Total operating expenditures	<u>4,898,756</u>	<u>3,253,362</u>	<u>2,359,354</u>	<u>10,511,472</u>
Operating income (loss)	<u>1,013,641</u>	<u>1,214,193</u>	<u>2,301,069</u>	<u>4,528,903</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	10,392	1,887	5,612	17,891
Sprint / T-Mobile agreements	53,219	-	-	53,219
Vance County	-	138,404	-	138,404
Insurance proceeds	1,419	-	-	1,419
Gain (loss) from sale of assets	-	-	42	42
Interest and other charges	(144,585)	(25,982)	(131,096)	(301,663)
Total other financing sources (uses)	<u>(79,555)</u>	<u>114,309</u>	<u>(125,442)</u>	<u>(90,688)</u>
Income (loss) before contributions and transfers	934,086	1,328,502	2,175,627	4,438,215
Capital contributions	-	448,481	-	448,481
Transfers from other funds	798,950	-	-	798,950
Transfers (to) other funds	<u>(361,300)</u>	<u>(858,840)</u>	<u>(315,200)</u>	<u>(1,535,340)</u>
Change in net position	<u>1,371,736</u>	<u>918,143</u>	<u>1,860,427</u>	<u>4,150,306</u>
Total net position, beginning	18,504,343	27,583,038	25,503,892	71,591,273
Restatement (Note VIII)	<u>(118,663)</u>	<u>(150,800)</u>	<u>(79,815)</u>	<u>(349,278)</u>
Total net position, as restated	<u>18,385,680</u>	<u>27,432,238</u>	<u>25,424,077</u>	<u>71,241,995</u>
Total net position, ending	<u>\$ 19,757,416</u>	<u>\$ 28,350,381</u>	<u>\$ 27,284,504</u>	<u>\$ 75,392,301</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, 2015

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Regional Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,074,226	\$ 4,669,188	\$ 4,639,817	\$ 15,383,231
Cash paid for goods and services	(3,731,956)	(1,606,366)	(1,367,100)	(6,705,422)
Cash paid to or on behalf of employees for services	(771,152)	(946,213)	(498,972)	(2,216,337)
Net cash provided (used) by operating activities	<u>1,571,118</u>	<u>2,116,609</u>	<u>2,773,745</u>	<u>6,461,472</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sprint / T-Mobile agreements	53,219	-	-	53,219
Insurance proceeds	1,419	-	-	1,419
Vance County	-	138,404	-	138,404
Transfers from other funds	798,950	-	-	798,950
Transfers to other funds	(361,300)	(858,840)	(315,200)	(1,535,340)
Net cash provided (used) by noncapital financing activities	<u>492,288</u>	<u>(720,436)</u>	<u>(315,200)</u>	<u>(543,348)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition/construction of capital assets	(695,257)	(6,908,521)	(698,798)	(8,302,576)
Financing for acquisition/construction of capital assets	711,934	7,210,822	419,699	8,342,455
Capital contributions	-	643,352	-	643,352
Principal paid on bond and equipment contracts	(967,689)	(231,802)	(707,063)	(1,906,554)
Interest paid on bond and equipment contracts	(148,263)	(27,330)	(138,053)	(313,646)
Proceeds from sale of assets	-	-	42	42
Net cash provided (used) by capital and related financing activities	<u>(1,099,275)</u>	<u>686,521</u>	<u>(1,124,173)</u>	<u>(1,536,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>10,392</u>	<u>1,887</u>	<u>5,612</u>	<u>17,891</u>
Net cash provided (used) by investing activities	<u>10,392</u>	<u>1,887</u>	<u>5,612</u>	<u>17,891</u>
Net increase (decrease) in cash and cash equivalents	974,523	2,084,581	1,339,984	4,399,088
Balances, beginning	<u>6,427,803</u>	<u>1,795,132</u>	<u>5,604,655</u>	<u>13,827,590</u>
Balances, ending	<u>\$ 7,402,326</u>	<u>\$ 3,879,713</u>	<u>\$ 6,944,639</u>	<u>\$ 18,226,678</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, 2015

	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	\$ 1,013,641	\$ 1,214,193	\$ 2,301,069	\$ 4,528,903
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	396,660	751,514	480,508	1,628,682
Pension expense	2,996	3,807	2,015	8,818
Changes in assets and liabilities:				
(Increase) decrease in-				
Customer receivables	117,326	201,633	(20,606)	298,353
Notes receivable - Water Reservation	43,750	-	-	43,750
Inventory	-	(2,245)	(18,282)	(20,527)
Security deposits	(142)	-	-	(142)
Deferred outflows of resources for pensions	(48,513)	(61,651)	(32,630)	(142,794)
Increase (decrease) in-				
Accounts payable and accrued liabilities	16,424	(21,110)	43,482	38,796
Customer/security deposits	753	-	-	753
Accrued OPEB liability	25,816	31,175	16,921	73,912
Accrued vacation pay	2,407	(707)	1,268	2,968
Total adjustments	<u>557,477</u>	<u>902,416</u>	<u>472,676</u>	<u>1,932,569</u>
Net cash provided by operating activities	<u>\$ 1,571,118</u>	<u>\$ 2,116,609</u>	<u>\$ 2,773,745</u>	<u>\$ 6,461,472</u>

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>115,110</u>
Total assets	\$ <u><u>115,110</u></u>
 NET POSITION	
Held in trust for Employees' pension benefits	\$ <u>115,110</u>
Total Net Position	\$ <u><u>115,110</u></u>

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

CITY OF HENDERSON, NORTH CAROLINA
Statement of Changes in Net Position
Fiduciary Fund
June 30, 2015

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ <u>19</u>
Total additions	<u>19</u>
Change in net position held in trust for:	
Employees' pension benefits	19
Net position, beginning	<u>115,091</u>
Net position, ending	<u>\$ 115,110</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, 2015

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, 2015

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.

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

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

The City reports the following fund type:

Pension Trust Fund. The City has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for prefunded benefits in the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. For reporting purposes, prefunded benefits in the Separation Allowance are presented in the pension trust fund; however, the plan does not meet the criteria for trust funds outlined in GASB Statement 67.

C. Measurement Focus and Basis of Accounting

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

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve, Fiduciary, and Enterprise Funds. All annual appropriations lapse at the fiscal-year end. The appropriations are adopted at the departmental level for the General Fund and Enterprise Funds. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager shall be authorized to re-allocate departmental appropriations among the various objects of expenditures within any budget department as he deems appropriate and necessary. Additionally, he shall be authorized to re-allocate departmental appropriations among other departments within the same fund via an intra-fund transfer as he deems appropriate and necessary. Notation of such appropriations shall be made to the City Council on the next financial report. All intra-fund transfers must also be approved in advance by the Finance Director. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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	\$	519,459
Grants Fund:			
Julia Avenue Project	Planning & Community Dev.		33,199
Walmart Community Grant	Public Safety		2,500
Capital Reserve General Fund	Capital Reserves		56,435
Capital Reserve Economic Development Fund	Capital Reserves		15,828
CIP Powell Bill Fund	Streets		<u>29,849</u>
Total Governmental Activities			<u>657,270</u>
Business-type Activities			
Water Fund	Customer Deposits		<u>336,973</u>
Total restricted cash		\$	<u><u>994,243</u></u>

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, 2014.

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, 2015

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 2015 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

11. Compensated Absences

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

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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

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

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

Subsequent year’s expenditures – portion of the fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations; however, the budget ordinance authorizes the City Manager to reallocate as necessary.

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

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

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

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

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015 the City's deposits had a carrying amount of \$12,735,720 and a bank balance of \$12,856,322. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the City had petty cash of \$2,140.

2. Investments

At June 30, 2014, the City had \$13,645,212 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, 2015

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015, are net of the following allowances for doubtful accounts:

Allowance for doubtful accounts—

General Fund:

Property taxes receivable	\$ 170,000
Accounts receivable	<u>248,550</u>
Total	<u>418,550</u>

Water Fund:

Customer receivables	<u>198,437</u>
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Sewer Fund:

Customer receivables	<u>214,485</u>
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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.

The City's notes receivable at June 30, 2015 total as follows:

Water Fund:

Vance County	\$ <u>1,662,500</u>
Less: current portion	<u>(43,750)</u>
Non-current receivable	\$ <u>1,618,750</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Minimum future payments due on notes receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 43,750	\$ -	\$ 43,750
2017	43,750	-	43,750
2018	43,750	-	43,750
2019	43,750	-	43,750
2020	43,750	-	43,750
2021-2025	218,750	-	218,750
2026-2030	218,750	-	218,750
2031-2035	218,750	-	218,750
2036-2040	218,750	-	218,750
2041-2045	218,750	-	218,750
2046-2050	218,750	-	218,750
2051-2052	131,250	-	131,250
Total	<u>\$ 1,662,500</u>	<u>\$ -</u>	<u>\$ 1,662,500</u>

5. Capital Assets

Capital asset activity for the City of Henderson for the year ended June 30, 2015, was as follows:

Governmental Activities	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,515,183	\$ -	\$ -	\$ 1,515,183
Construction in progress	<u>341,499</u>	<u>31,004</u>	<u>34,760</u>	<u>337,743</u>
Total capital assets not being depreciated	1,856,682	31,004	34,760	1,852,926
Capital assets being depreciated:				
Buildings	17,663,793	-	-	17,663,793
Other improvements	13,103,488	34,760	-	13,138,248
Equipment and vehicles	<u>8,814,735</u>	<u>303,784</u>	<u>94,442</u>	<u>9,024,077</u>
Total capital assets being depreciated	39,582,016	338,544	94,442	39,826,118
Less accumulated depreciation for:				
Buildings	2,118,076	383,666	-	2,501,742
Other improvements	12,533,171	40,043	-	12,573,214
Equipment and vehicles	<u>8,360,594</u>	<u>179,232</u>	<u>94,442</u>	<u>8,445,384</u>
Total accumulated depreciation	<u>23,011,841</u>	<u>602,941</u>	<u>94,442</u>	<u>23,520,340</u>
Total capital assets being depreciated, net	<u>16,570,175</u>			<u>16,305,778</u>
Governmental activity capital assets, net	<u>\$ 18,426,857</u>			<u>\$ 18,158,704</u>

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

General government	\$ 93,901
Public safety	232,142
Planning and community development	20,120
Public services –	
Transportation and other	122,483
Environmental protection	16,431
Recreation and parks	<u>117,864</u>
Total depreciation expense	<u>\$ 602,941</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 1,710,560	\$ -	\$ -	\$ 1,710,560
Construction in progress	<u>1,519,465</u>	<u>616,883</u>	<u>-</u>	<u>2,136,348</u>
Total capital assets not being depreciated	3,230,025	616,883	-	3,846,908
Capital assets being depreciated:				
Buildings	1,859,228	-	-	1,859,228
Distribution system	19,569,467	-	-	19,569,467
Equipment and vehicles	<u>759,507</u>	<u>64,316</u>	<u>-</u>	<u>823,823</u>
Total capital assets being depreciated	22,188,202	64,316	-	22,252,518
Less accumulated depreciation for:				
Buildings	451,674	22,880	-	474,554
Distribution system	4,863,872	315,093	-	5,178,965
Equipment and vehicles	<u>576,516</u>	<u>58,686</u>	<u>-</u>	<u>635,202</u>
Total accumulated depreciation	<u>5,892,062</u>	<u>396,659</u>	<u>-</u>	<u>6,288,721</u>
Total capital assets being depreciated, net	<u>16,296,140</u>			<u>15,963,797</u>
Water capital assets, net	<u>19,526,165</u>			<u>19,810,705</u>
Sewer Fund				
Capital assets not being depreciated:				
Land	211,136	-	-	211,136
Construction in progress	<u>13,370,373</u>	<u>5,306,337</u>	<u>1,118,109</u>	<u>17,558,601</u>
Total capital assets not being depreciated	13,581,509	5,306,337	1,118,109	17,769,737
Capital assets being depreciated:				
Buildings	24,197,822	-	-	24,197,822
Distribution system	14,448,415	1,118,109	-	15,566,524
Equipment and vehicles	<u>2,058,969</u>	<u>13,982</u>	<u>-</u>	<u>2,072,951</u>
Total capital assets being depreciated	40,705,206	1,132,091	-	41,837,297
Less accumulated depreciation for:				
Buildings	11,835,925	481,774	-	12,317,699
Distribution system	3,254,425	216,163	-	3,470,588
Equipment and vehicles	<u>1,822,734</u>	<u>53,578</u>	<u>-</u>	<u>1,876,312</u>
Total accumulated depreciation	<u>16,913,084</u>	<u>751,515</u>	<u>-</u>	<u>17,664,599</u>
Total capital assets being depreciated, net	<u>23,792,122</u>			<u>24,172,698</u>
Sewer capital assets, net	<u>37,373,631</u>			<u>41,942,435</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
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>1,974,022</u>	<u>1,159,648</u>	-	<u>3,133,670</u>
Total capital assets not being depreciated	4,505,030	1,159,648	-	5,664,678
Capital assets being depreciated:				
Buildings	6,808,289	-	-	6,808,289
Distribution system	20,939,534	-	-	20,939,534
Equipment and vehicles	<u>795,761</u>	<u>25,337</u>	-	<u>821,098</u>
Total capital assets being depreciated	28,543,584	25,337	-	28,568,921
Less accumulated depreciation for:				
Buildings	3,783,156	46,495	-	3,829,651
Distribution system	4,795,581	332,896	-	5,128,477
Equipment and vehicles	<u>556,543</u>	<u>101,117</u>	-	<u>657,660</u>
Total accumulated depreciation	<u>9,135,280</u>	<u>480,508</u>	-	<u>9,615,788</u>
Total capital assets being depreciated, net	<u>19,408,304</u>			<u>18,953,133</u>
Regional Water capital assets, net	<u>23,913,334</u>			<u>24,617,811</u>
Business-type activities capital assets, net	<u>\$ 80,813,130</u>			<u>\$ 86,370,951</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.

Construction Commitments

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contracts are as follows:

	Spent-to-date	Remaining Commitment
Business-Type Activities:		
Water Fund Capital Projects		
2" Water Line Replacement	\$ 1,722,577	\$ 97,115
Sewer Fund Capital Projects		
HWRF Improvements	14,243,135	1,474,493
Sandy Creek Pump Station	876,711	490,358
RWS Fund Capital Projects		
KLRWP High Speed Eff. Pump	<u>902,550</u>	<u>27,646</u>
Business-Type Activities Total	<u>\$ 17,744,973</u>	<u>\$ 2,089,612</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$513,040 for the year ended June 30, 2015.

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, 2015, the City reported an asset of \$837,380 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the City's proportion was 0.1420%, which was a decrease of 0.005% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$31,679. At June 30, 2015, 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	\$ -	\$ 91,498
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,949,403
Changes in proportion and differences between City contributions and proportionate share of contributions	-	83,073
City contributions subsequent to the measurement date	513,040	-
	\$ 513,040	\$ 2,123,975

\$513,040 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, 2016.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (531,103)
2017	(531,103)
2018	(531,103)
2019	(530,666)
2020	-
Thereafter	-

vi. Actuarial Assumptions

The total pension liability in the December 31, 2013 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, 2013 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 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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)	\$ 2,842,432	\$ (837,380)	\$ (3,985,664)

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2015

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.

For reporting purposes, prefunded benefits in the Separation Allowance are presented as a pension trust fund, however, the plan does not meet the criteria for trust funds outlined in GASB Statement 67. As a result, this benefit was not accounted for in accordance with GASB 67. A separate report was not issued for the plan.

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

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

At December 31, 2014 the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>50</u>
Total	<u>59</u>

ii. Funding Policy

The City Council established the contribution requirements of plan members which may be amended by the Council. The City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the council.

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2015

iii. 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 and refunds are recognized when due and payable in accordance with the terms of the plan. Financial statements for the Separation allowance, presenting the prefunded benefits as investments, are prepared using the accrual basis of accounting.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Government Agency securities are valued at the last reported sales price.

iv. Contributions

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

The annual report contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases. The unfunded actuarial accrued liability is being amortized on level dollar closed basis. The remaining amortization period at December 31, 2014 was 16 years.

v. 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	\$	115,364
Interest on net pension obligation		12,977
Adjustment to annual required contribution		<u>(21,926)</u>
Annual pension cost		106,415
Contributions made		<u>(110,222)</u>
Increase (decrease) in net pension obligations		(3,807)
Net pension obligation, beginning of year		<u>259,550</u>
Net pension obligation, end of year		<u>\$ 255,743</u>

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 93,051	86.59%	\$ 261,594
2014	88,157	102.32%	259,550
2015	106,415	103.58%	255,743

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
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vi. Funded Status and Funding Progress

As of December 31, 2014 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits (AAL) was \$977,045 and the unfunded actuarial accrued liability (UAAL) was \$861,935. The covered payroll (annual payroll of active employees covered by the plan) was \$1,942,973, and the ratio of the UAAL to the covered payroll was 44.36 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

i. Plan Description

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

ii. Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$193,695, which consisted of \$96,613 from the City and \$97,082 from the law enforcement officers.

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

i. Plan Description

The State of North Carolina contributes, on behalf of the City of Henderson, to the Firemen's and Rescue Squad Workers Pension Fund (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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who dies 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.

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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.

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

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

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

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

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

Membership of the plan consisted of the following at December 31, 2013, the date of the last actuarial valuation:

Active Members	
Law Enforcement Officers	58
Firefighters	35
General Employees	<u>113</u>
Total	206
Retired Members	87

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 8.71% of annual covered payroll. For the current year, the city contributed \$353,611 or 5.04% of annual covered payroll. The city obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively. There were no contributions made by employees, and

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

no contributions for dependent coverage. The City's obligation to contribute to the plan is established and may be amended by the City Council.

iii. Summary of Significant Accounting Policies

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

iv. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 611,202
Interest on net OPEB obligation	169,832
Adjustment to annual required contribution	<u>(162,242)</u>
Annual OPEB cost	618,792
Contributions made	<u>(353,611)</u>
Increase (decrease) in net OPEB obligation	258,181
Net OPEB obligation, beginning of year	<u>4,245,792</u>
Net OPEB obligation, end of year	<u>\$ 4,510,973</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, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 618,792	57.15%	\$ 4,510,973
2014	700,207	54.92%	4,245,792
2013	679,432	48.21%	3,930,136

v. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$10,170,800. The covered payroll (annual payroll of active employees covered by the plan) was \$7,018,925, and the ratio of the UAAL to the covered payroll was 144.91%. 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

vi. Actuarial Methods and Assumptions

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

In the December 31, 2013 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, 2013 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.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees represented 0.00% of covered payroll. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS death benefit plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established. The City will have a three year reprieve because it has been contribution for than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 837,380

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

<u>Source</u>	<u>Amount</u>
Property taxes receivable (General Fund)	\$ 367,318
Prepaid taxes (General Fund)	9,373
Pension deferrals	2,123,975

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability, employee benefits liability, public officials liability, employment practices liability, police professional liability, and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The 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, 2015, 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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

includes a termination of utilities sale agreement that will conclude the water reservation agreement between the City of Henderson and Granville County. The settlement allows for the City of Henderson to retain \$1,000,000 and calls for the refund of \$1,853,416 to 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 in July 2015, subsequent to the current fiscal year-end. Accordingly, the City reports a contingent liability of \$1,853,416 in the Water Fund as of June 30, 2015.

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>
Mobile and Portable Radio System	09/01/2010	5 annual payments of \$21,009
Backhoe, Service Truck, Tractor, and Dump Truck	04/30/2013	3 annual payments of \$65,759, and 2 payments of \$55,452
3 Ford Explorers and 2 Dodge Chargers	10/10/2014	5 annual payments of \$31,128

The following is an analysis of the assets recorded under capital leases at June 30, 2015:

<u>Class of property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles and equipment	\$ 434,715	\$ 140,413	\$ 294,302

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>
2016	\$ 52,171	\$ 65,759
2017	31,128	55,452
2018	31,128	55,452
2019	31,128	-
2020	-	-
Total minimum lease payments	145,555	176,663
Less: amount representing interest	(6,450)	(5,108)
Present value of minimum lease payments	<u>\$ 139,105</u>	<u>\$ 171,555</u>

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

b. Notes Payable and Revolving Loans

At June 30, 2015, the City of Henderson had a legal debt margin of \$ 76,602,143.

Notes payable at June 30, 2015 are comprised of the following:

Serviced by the General Fund:

\$3,964,000, 2000 note payable to Wachovia Bank due in 15 annual installments of \$264,267 plus interest at 5.46% for the Aycock Recreation Complex.	\$ 264,266
\$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.	1,335,000
\$163,750, 2009 note payable to Vance County due in annual installments of \$32,750 with no interest.	32,750

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.	84,196
\$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%.	149,653
\$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.	279,232

Serviced by the Sewer Fund:

\$1,255,360, 1996 note payable to the North Carolina Department of Environment and Natural Resources due in 10 annual installments of \$62,227 plus interest at 5.85% for sewer improvements.	62,227
\$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.	230,571
\$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.	444,952

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Serviced by the Regional Water Fund:

\$5,115,000, 2003 note payable to Bank of America due in 26 semi-annual installments ranging from \$250,550 to \$261,580 including interest at 3.18% for water lines.	\$ 509,000
\$2,130,000, 2004 note payable to Bank of America due in 31 semi-annual installments of \$95,823 including interest at 3.74% for water lines.	705,902
\$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%	<u>1,811,013</u>
Total Notes Payable at June 30, 2015	<u>\$ 5,908,762</u>

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

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 647,016	\$ 79,043	\$ 996,759	\$ 142,181
2017	350,000	47,674	434,485	114,344
2018	345,000	30,734	286,406	99,147
2019	290,000	14,036	296,075	88,983
2020	-	-	112,687	80,231
2021-2025	-	-	613,364	343,808
2026-2030	-	-	710,673	234,138
2031-2035	-	-	766,645	102,166
2036-2040	-	-	40,430	11,349
2041-2042	-	-	<u>19,222</u>	<u>1,490</u>
Total	<u>\$ 1,632,016</u>	<u>\$ 171,487</u>	<u>\$ 4,276,746</u>	<u>\$ 1,217,837</u>

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

As of June 30, 2015, the City of Henderson was subject to revolving loan agreements for ongoing capital projects. The draw-down phase of such agreements is not yet completed, and repayment of the loans has not yet begun. The balances below are additionally included in notes payable as of June 30, 2015.

To be serviced by the Water Fund:

\$1,898,571, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for the water line capital improvements. Repayment of the loan is scheduled for 20 years with zero interest.	\$ 1,759,086
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CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

To be serviced by the Sewer Fund:

\$17,115,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for capital improvements at the Henderson water reclamation facility. The City has been approved for \$1,000,000 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years with zero interest. \$ 15,873,436

\$1,696,874, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for pump station capital improvements. The City has been approved for \$848,437 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years with zero interest. 536,236

\$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%. 142,810

To be serviced by the Regional Water System Fund:

\$1,129,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for a high speed efficiency pump capital project. Repayment of the loan is scheduled for 20 years with zero interest. \$ 945,642

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%. \$ 4,721,000

The future payments of the revenue bond are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2015	\$ 899,000	\$ 113,304
2016	925,000	91,728
2017	944,000	69,528
2018	966,000	46,872
2019	987,000	23,688
2020	-	-
Total	<u>\$ 4,721,000</u>	<u>\$ 345,120</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).

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

The debt service ratio calculations for the year ended June 30, 2015, are as follows:

	<u>Water and Sewer Funds</u>
<u>Parity debt</u>	
Income (loss) before contributions and transfers	\$ 2,285,586
Add back:	
Interest and other charges	170,567
Depreciation	<u>1,148,174</u>
Net revenues	<u>3,604,327</u>
Debt service, principal and interest (Revenue Refunding Bond only)	<u>1,010,098</u>
Debt coverage ratio	357%
Required debt coverage ratio	125%
<u>Subordinate debt</u>	
Net revenues	\$ 3,604,327
Less: parity debt service	<u>1,010,098</u>
Adjusted net revenues	<u>2,594,229</u>
Debt service, principal and interest (All, including capital leases)	1,370,058
Less: parity debt service	<u>1,010,098</u>
Debt service, excluding parity debt	<u>359,960</u>
Debt coverage ratio	721%
Required debt coverage ratio	100%

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$8,024,000 in water and sewer system revenue bonds issued in 2011. Proceeds from the bonds provided for the refunding of previous revenue bonds issued for financing of the extension of water lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2020. The total principal and interest remaining to be paid on the bond is \$5,066,120. Principal and interest paid for the current year was \$1,010,098.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

e. Changes in General Long-Term Debt

	Balance (As Restated) July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental Activities:					
Notes payable	\$ 2,279,032	\$ -	\$ 647,016	\$ 1,632,016	\$ 647,016
Capital leases	40,568	149,711	51,174	139,105	49,302
Net pension liability-LGERS	1,277,000	-	1,277,000	-	-
Net pension liability-LEO	259,550	106,415	110,222	255,743	-
Other post-employment benefits	3,081,075	488,790	297,521	3,272,344	-
Compensated absences	396,405	139,384	163,298	372,491	156,407
Governmental activity long-term liabilities	<u>\$ 7,333,630</u>	<u>\$ 884,300</u>	<u>\$ 2,546,231</u>	<u>\$ 5,671,699</u>	<u>\$ 852,725</u>
Business-type Activities:					
Notes payable	\$ 17,919,573	\$ 6,582,746	\$ 968,364	\$ 23,533,955	\$ 996,759
Revenue bond	5,597,000	-	876,000	4,721,000	899,000
Capital leases	233,745	-	62,190	171,555	63,140
Net pension liability-LGERS	492,503	-	492,503	-	-
Other post-employment benefits	1,164,717	130,002	56,090	1,238,629	-
Compensated absences	101,292	77,661	74,694	104,259	72,294
Business-type activity long-term liabilities	<u>\$ 25,508,830</u>	<u>\$ 6,790,409</u>	<u>\$ 2,529,841</u>	<u>\$ 29,769,398</u>	<u>\$ 2,031,194</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

f. Operating Leases

The City entered into an operating lease with Alfred Leasing Company for copier equipment. The lease calls for monthly payments of \$1,605 for 48 months. The following is a schedule of future minimum lease payments required under the operate lease that have non-cancelable lease terms in excess of one year as of June 30, 2015:

June 30, 2016	\$ 4,815
Thereafter	-

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2015 consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	
Totals by Purpose of Transfer		
Funding of grant and capital projects:		
General Fund	Grants Fund	\$ 16,387
Sewer Fund	Sewer Capital Project Fund	25,000
Regional Water System Fund	RWS Capital Project Fund	38,000
Reversion of excess transfers:		
Grants Fund	General Fund	6,695

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Transfer From</u>	<u>Transfer To</u>	
Contributions to budgetary reserves:		
Water Fund	Capital Reserve Utilities Fund	\$ 50,100
Sewer Fund	Capital Reserve Utilities Fund	77,800
Sewer Fund	Rate Stabilization Fund	436,000
Regional Water System Fund	Regional Water Reserve Fund	761,000
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	96,910
Sewer Fund	Water Fund	400,640
Regional Water System Fund	Water Fund	16,000
Net Totals by Fund Type		
General Fund	Non-major Governmental Funds	\$ 16,387
Non-major Governmental Funds	General Fund	6,695
Net total – General Fund	Non-major Governmental Funds	9,692
General Fund	Major Enterprise Funds	\$ 96,910
Major Enterprise Funds	General Fund	833,300
Net total – Major Enterprise Funds	General Fund	736,390
Major Enterprise Funds	Major Enterprise Funds	\$ 702,040
Major Enterprise Funds	Non-major Enterprise Funds	\$ 1,387,900

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

D. Fund Balance

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

Total fund balance – General Fund	\$ 7,774,763
Less:	
Stabilization by State Statute	1,160,283
Public Safety – Asset Forfeiture	445,296
Streets – Powell Bill	519,459
Appropriated fund balance in 2016 budget	345,000
Remaining fund balance	5,304,725

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

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2015

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, 2015, the unassigned fund balance is 34.38% of budgeted expenditures for fiscal year 2015-2016. Per the calculation used by the LGC, the City's fund balance available for appropriation is 51.19% of fiscal year 2014-2015 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 \$25,500 to the Council during the fiscal year ended June 30, 2015.

IV. Joint Ventures

A. Regional Water System

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

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

The operations of the System consist of the treatment and transmission of water from Kerr Lake to the water distribution systems of the participating governments. During the fiscal year ended June 30, 2015, the Water Fund of the City of Henderson purchased water from the System totaling \$2,902,557. 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, 2015.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, 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, 2015.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$28,750 to the Authority to supplement its activities during the fiscal year ended June 30, 2015. Complete financial statements can be obtained from the Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance, 6514 Airport Road, Oxford, NC 27565.

D. Henderson Firemen's Supplemental Retirement System

The City appoints one member of the Henderson City Council to the five-member local board of trustees for the Henderson Firemen's Supplemental Retirement System. Two members are chosen from the membership of the Henderson Fire department and are elected by a majority vote of the members; the final two members are appointed by the President of the Henderson Board of Fire and Casualty Underwriters. In accordance with state law, the Henderson Firemen's Supplemental Retirement System has established a supplemental retirement fund which is comprised primarily of Firemen's Relief Fund payments received. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the System for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The City does not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. 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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

VI. Significant Effects of Subsequent Events

The City has evaluated events and transactions that occurred between June 30, 2015 and November 30, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. As described in Note II.F above, the City has recognized a loss to be incurred from the settlement a lawsuit that was made effective subsequent to the current fiscal year-end.

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

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$905,636 and \$349,278 respectively.

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 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)
12/31/2008	\$ 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%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2009	\$ 57,738	11.4%	\$ 6,573
2010	64,229	0.0%	-
2011	88,855	73.2%	65,000
2012	87,737	75.3%	66,104
2013	96,098	83.8%	80,572
2014	96,390	93.6%	90,201
2015	115,364	95.5%	110,222

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period:	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% - 7.85%
Includes inflation at	3.00%
Cost-of living adjustments	N/A

CITY OF HENDERSON, NORTH CAROLINA
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b - a) / c)
12/31/2006	\$ -	\$ 14,970,034	\$ 14,970,034	0.00%	\$ 7,111,936	210.49%
12/31/2009	-	9,899,313	9,899,313	0.00%	7,469,376	132.53%
12/31/2011	-	10,161,543	10,161,543	0.00%	6,762,235	150.27%
12/31/2013	-	10,170,800	10,170,800	0.00%	7,018,925	144.91%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2011	\$ 1,412,742	25.3%	\$ 357,736
2012	672,992	46.8%	315,170
2013	672,992	52.3%	351,879
2014	693,182	55.5%	384,551
2015	611,202	57.9%	353,611

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level Percent 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	2019
*Includes inflation at	3.00%

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

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

	2015	2014
Henderson's proportion of the net pension liability (asset) (%)	0.14199%	0.14680%
Henderson's proportion of the net pension liability (asset) (\$)	\$ (837,380)	\$ 1,769,504
Henderson's covered-employee payroll	\$ 7,219,054	\$ 6,962,920
Henderson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.60%	25.41%
Plan fiduciary net position as a percentage of the total pension liability**	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

	2015	2014
Contractually required contribution	\$ 513,039	\$ 514,589
Contributions in relation to the contractually required contribution	513,039	514,589
Contribution deficiency (excess)	\$ -	\$ -
Henderson's covered-employee payroll	\$ 7,216,506	\$ 7,219,054
Contributions as a percentage of covered-employee payroll	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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Ad valorem taxes				
Current year	\$ 5,700,000	\$ 5,388,726	\$ (311,274)	\$ 5,994,921
Prior years	267,900	171,905	(95,995)	327,792
DMV motor vehicle tax collections	-	497,765	497,765	-
Penalties and interest	65,000	67,162	2,162	105,249
Total	<u>6,032,900</u>	<u>6,125,558</u>	<u>92,658</u>	<u>6,427,962</u>
Other taxes and licenses				
Privilege licenses	211,000	94,739	(116,261)	256,642
Vehicle rental tax	13,000	22,287	9,287	19,287
Total	<u>224,000</u>	<u>117,026</u>	<u>(106,974)</u>	<u>275,929</u>
Unrestricted intergovernmental				
Vance County ABC-5%	1,100	1,641	541	1,908
Franchise tax	850,000	1,030,573	180,573	848,528
Local option sales tax	2,421,000	2,770,276	349,276	2,456,998
ABC net revenues	500	3,062	2,562	1,791
Beer and wine tax	60,000	72,504	12,504	66,551
Total	<u>3,332,600</u>	<u>3,878,056</u>	<u>545,456</u>	<u>3,375,776</u>
Restricted intergovernmental				
State Street Aid grant	440,000	451,764	11,764	452,189
DOT mowing / snow contract	4,000	12,143	8,143	15,034
Solid waste disposal tax	6,000	9,810	3,810	9,296
Bullet Proof Vest Grant	2,500	1,500	(1,000)	2,500
Total	<u>452,500</u>	<u>475,217</u>	<u>22,717</u>	<u>479,019</u>
Permits and fees				
Auto tags	300,000	111,260	(188,740)	142,678
Fire inspection fees	15,000	20,628	5,628	21,620
Total	<u>315,000</u>	<u>131,888</u>	<u>(183,112)</u>	<u>164,298</u>

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Sales and services				
Recreation	\$ 55,000	\$ 49,342	\$ (5,658)	\$ 49,786
Refuse collections	1,833,000	1,784,237	(48,763)	1,937,397
Misc. refuse collections	-	1,550	1,550	1,050
Leaf bags	1,000	1,511	511	1,617
Debt setoff-refuse collections	1,000	1,105	105	1,094
Bad debt recovery	1,000	1,069	69	1,400
Cemetery interment	7,000	14,250	7,250	16,500
Aquatics Center	66,000	83,870	17,870	73,334
Rental-Fox Pond Park	1,000	1,278	278	1,440
Demolition and lot cleaning	1,000	7,277	6,277	2,392
County contracts	819,800	714,086	(105,714)	761,629
Zoning and reclassification	15,000	29,818	14,818	24,540
Total	<u>2,800,800</u>	<u>2,689,393</u>	<u>(111,407)</u>	<u>2,872,179</u>
Investment earnings				
General Fund	4,000	6,651	2,651	8,741
Powell Bill	-	196	196	68
Total	<u>4,000</u>	<u>6,847</u>	<u>2,847</u>	<u>8,809</u>
Miscellaneous				
Parking violations	-	1,305	1,305	1,222
Drug tax/Forfeitures	-	127,287	127,287	27,564
Court fees and charges	6,000	5,434	(566)	7,604
Fire code violations	-	1,150	1,150	300
Recreation donations	-	3,448	3,448	10,129
Miscellaneous	14,080	37,350	23,270	14,108
Insurance proceeds	25,300	37,628	12,328	12,532
Workers compensation reimbursement	-	-	-	277
Sale of assets	8,000	160	(7,840)	14,842
Total	<u>53,380</u>	<u>213,762</u>	<u>160,382</u>	<u>88,578</u>
Total revenues	<u>13,215,180</u>	<u>13,637,747</u>	<u>422,567</u>	<u>13,692,550</u>
EXPENDITURES				
General Government				
Legislative				
Governing Body	177,500	165,591	11,909	164,738
City Attorney	<u>92,000</u>	<u>72,554</u>	<u>19,446</u>	<u>59,464</u>
Total Legislative	269,500	238,145	31,355	224,202

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Administrative				
Administration	\$ 323,640	\$ 288,001	\$ 35,639	\$ 328,678
Human Resources	200,640	183,846	16,794	175,695
Finance	442,400	415,258	27,142	378,042
Information services	43,000	28,952	14,048	19,872
Total Administrative	<u>1,009,680</u>	<u>916,057</u>	<u>93,623</u>	<u>902,287</u>
Total General Government	<u>1,279,180</u>	<u>1,154,202</u>	<u>124,978</u>	<u>1,126,489</u>
Public safety				
Police	4,135,986	3,651,942	484,044	3,767,575
Police - asset forfeiture	317,807	130,462	187,345	219,105
Fire department	<u>2,221,056</u>	<u>2,118,419</u>	<u>102,637</u>	<u>2,087,620</u>
Total Public safety	<u>6,674,849</u>	<u>5,900,823</u>	<u>774,026</u>	<u>6,074,300</u>
Planning and community development				
Code compliance	177,300	139,560	37,740	140,748
Planning and community development	130,400	80,612	49,788	101,657
Main Street - downtown development	10,500	10,368	132	61,578
Development Services	-	6,081	(6,081)	-
Total Planning and community development	<u>318,200</u>	<u>236,621</u>	<u>81,579</u>	<u>303,983</u>
Public services				
Transportation - Street maintenance	1,190,100	981,035	209,065	1,040,215
Environmental protection - Sanitation	910,100	809,958	100,142	853,437
Other public services				
Public Buildings	75,000	74,228	772	62,652
Bennett Perry House	25,750	25,683	67	1,236
Administration - public works	139,000	120,191	18,809	119,163
City Garage	159,500	111,313	48,187	156,888
Cemetery	<u>76,000</u>	<u>73,476</u>	<u>2,524</u>	<u>70,485</u>
Total Other public services	<u>475,250</u>	<u>404,891</u>	<u>70,359</u>	<u>410,424</u>
Total Public services	<u>2,575,450</u>	<u>2,195,884</u>	<u>379,566</u>	<u>2,304,076</u>
Recreation and parks				
Recreation Services	895,600	728,962	166,638	830,627
Youth Services	163,040	156,088	6,952	146,238
Aycock Aquatics Center	<u>355,440</u>	<u>320,704</u>	<u>34,736</u>	<u>322,440</u>
Total Recreation and parks	<u>1,414,080</u>	<u>1,205,754</u>	<u>208,326</u>	<u>1,299,305</u>

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Non-departmental				
City and County shared programs				
Contribution to library	\$ 187,400	\$ 187,400	\$ -	\$ 187,400
Other shared programs	818,600	797,747	20,853	744,387
Total City and county shared programs	1,006,000	985,147	20,853	931,787
Local agencies				
Contribution to airport	28,800	28,750	50	28,750
Other local agencies	2,000	2,000	-	6,300
Total Local agencies	30,800	30,750	50	35,050
General Non-departmental				
Insurance deductible	-	-	-	14,849
Insurance reserve	7,680	2,112	5,568	1,874
Group insurance - retiree	377,800	297,521	80,279	320,231
Unemployment costs	11,300	11,267	33	19,810
Economic development incentive	-	-	-	1,500
Licenses/Permits/Fees	2,200	1,114	1,086	-
Contracted Services	2,060	-	2,060	-
Bad debt	39,500	39,470	30	62,416
Reserve - other	67,870	-	67,870	-
Total General non-departmental	508,410	351,484	89,056	420,680
Total Non-departmental	1,545,210	1,367,381	177,829	1,387,517
Debt service				
Lease purchase payments	52,230	52,136	94	53,612
Principal retirement	647,070	647,016	54	647,016
Interest and other charges	110,415	110,412	3	141,781
Total Debt service	809,715	809,564	151	842,409
Total expenditures	14,616,684	12,870,229	1,746,455	13,338,079
Excess of revenues over (under) expenditures	(1,401,504)	767,518	2,169,022	354,471

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
OTHER FINANCING SOURCES (USES)				
Capital lease obligations issued	\$ 149,712	\$ 149,712	\$ -	\$ -
Transfers from other funds:				
Special Revenue - Grants Fund	6,695	6,695	-	-
Enterprise Fund - Water Fund	361,300	361,300	-	361,300
Enterprise Fund - Sewer Fund	402,800	252,800	(150,000)	252,800
Enterprise Fund Regional Water System Fund	225,000	219,200	(5,800)	219,200
Transfers (to) other funds:				
Special Revenue - Grants Fund	(16,388)	(16,387)	1	(17,564)
Capital Projects - General Fund	-	-	-	(34,760)
Enterprise Fund - Water Fund	(96,915)	(96,910)	5	(97,552)
	<u>1,032,204</u>	<u>876,410</u>	<u>(155,794)</u>	<u>683,424</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(369,300)</u>	<u>1,643,928</u>	<u>2,013,228</u>	<u>1,037,895</u>
Fund balance appropriated	<u>369,300</u>	<u>-</u>	<u>(369,300)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,643,928</u>	<u>\$ 1,643,928</u>	<u>1,037,895</u>
FUND BALANCE – Beginning		<u>6,130,835</u>		<u>5,092,940</u>
FUND BALANCE – Ending		<u>\$ 7,774,763</u>		<u>\$ 6,130,835</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2015, with Comparative Totals for June 30, 2014

	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, 2015	June 30, 2014
ASSETS								
Cash and equivalents	\$ 4,171	\$ -	\$ -	\$ 183,535	\$ -	\$ 431,085	\$ 618,791	\$ 606,371
Restricted cash	35,699	56,435	15,828	-	29,849	-	137,811	136,973
Due from other governments	-	-	-	-	-	-	-	7,414
Total assets	<u>\$ 39,870</u>	<u>\$ 56,435</u>	<u>\$ 15,828</u>	<u>\$ 183,535</u>	<u>\$ 29,849</u>	<u>\$ 431,085</u>	<u>\$ 756,602</u>	<u>\$ 750,758</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 739	\$ -	\$ -	\$ 739	\$ 16,679
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>739</u>	<u>-</u>	<u>-</u>	<u>739</u>	<u>16,679</u>
FUND BALANCES								
Non Spendable								
Perpetual maintenance	-	-	-	-	-	431,085	431,085	431,012
Restricted								
Streets - Powell Bill	-	-	-	-	29,849	-	29,849	29,800
Planning and community development	35,699	-	-	-	-	-	35,699	34,799
Capital reserves	-	56,435	15,828	-	-	-	72,263	72,260
Assigned	4,171	-	-	182,796	-	-	186,967	170,564
Unassigned	-	-	-	-	-	-	-	(4,356)
Total fund balance	<u>39,870</u>	<u>56,435</u>	<u>15,828</u>	<u>182,796</u>	<u>29,849</u>	<u>431,085</u>	<u>755,863</u>	<u>734,079</u>
Total liabilities and fund balances	<u>\$ 39,870</u>	<u>\$ 56,435</u>	<u>\$ 15,828</u>	<u>\$ 183,535</u>	<u>\$ 29,849</u>	<u>\$ 431,085</u>	<u>\$ 756,602</u>	<u>\$ 750,758</u>

CITY OF HENDERSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds
June 30, 2015, with Comparative Totals for June 30, 2014

	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, 2015	June 30, 2014
REVENUES								
Restricted intergovernmental	\$ 52,643	\$ -	\$ -	\$ 46,335	\$ -	\$ -	\$ 98,978	\$ 109,981
Other revenues	-	-	-	-	44	-	44	112
Investment earnings	-	3	-	5	5	73	86	49
Total revenues	<u>52,643</u>	<u>3</u>	<u>-</u>	<u>46,340</u>	<u>49</u>	<u>73</u>	<u>99,108</u>	<u>110,142</u>
EXPENDITURES								
Public safety	54,411	-	-	11,590	-	-	66,001	99,393
Planning and community development	1,600	-	-	19,415	-	-	21,015	57,096
Public services	-	-	-	-	-	-	-	750
Total expenditures	<u>56,011</u>	<u>-</u>	<u>-</u>	<u>31,005</u>	<u>-</u>	<u>-</u>	<u>87,016</u>	<u>157,239</u>
Revenues over (under) expenditures	<u>(3,368)</u>	<u>3</u>	<u>-</u>	<u>15,335</u>	<u>49</u>	<u>73</u>	<u>12,092</u>	<u>(47,097)</u>
OTHER FINANCING SOURCES								
Transfers in - General Fund	16,387	-	-	-	-	-	16,387	52,324
Transfers (out) - General Fund	(6,695)	-	-	-	-	-	(6,695)	-
Total other financing sources	<u>9,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,692</u>	<u>52,324</u>
Excess of revenues and other financing sources over (under) expenditures	<u>6,324</u>	<u>3</u>	<u>-</u>	<u>15,335</u>	<u>49</u>	<u>73</u>	<u>21,784</u>	<u>5,227</u>
FUND BALANCE								
Beginning	<u>33,546</u>	<u>56,432</u>	<u>15,828</u>	<u>167,461</u>	<u>29,800</u>	<u>431,012</u>	<u>734,079</u>	<u>728,852</u>
Ending	<u>\$ 39,870</u>	<u>\$ 56,435</u>	<u>\$ 15,828</u>	<u>\$ 182,796</u>	<u>\$ 29,849</u>	<u>\$ 431,085</u>	<u>\$ 755,863</u>	<u>\$ 734,079</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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
REVENUES						
Restricted intergovernmental:						
NC Gov. Highway Safety Grant						
NC Div. of Crime Control Grant	\$ -	\$ 7,414	\$ 7,214	\$ (14,628)	\$ -	\$ -
BJA Grant Bulletproof Vests 2013						
Bureau of Justice Grant	-	3,550	374	(3,924)	-	-
BJA Grant - In-Car Cameras						
Bureau of Justice Grant	-	-	16,935	(16,935)	-	-
GCC 2014 Viper/MDT						
Gov. Crime Commission Grant	-	-	23,750	(23,750)	-	-
BJA Grant Bulletproof Vests 2014						
Bureau of Justice Grant	3,829	-	1,870	-	1,870	(1,959)
Walmart Community Grant						
Fire Department Grant	-	-	2,500	-	2,500	2,500
Julia Avenue Project						
Vance Co. Engineering Contract	38,370	39,000	-	-	39,000	630
Department of Commerce – CA						
Department of Commerce	-	46,500	-	(46,500)	-	-
Total revenues	42,199	96,464	52,643	(105,737)	43,370	1,171
EXPENDITURES						
Public safety:						
NC Gov. Highway Safety Grant						
Capital outlay - Noncapital	-	9,265	(360)	(8,905)	-	-
Capital outlay	-	7,080	-	(7,080)	-	-
Total	-	16,345	(360)	(15,985)	-	-
BJA Grant Bulletproof Vests 2013						
Capital outlay	-	7,100	-	(7,100)	-	-
BJA Grant - In-Car Cameras						
Capital outlay - Noncapital	-	-	14,460	(14,460)	-	-
VC Sheriff Dept. Share	-	-	6,774	(6,774)	-	-
Total	-	-	21,234	(21,234)	-	-
GCC 2014 Viper/MDT						
Capital outlay - Noncapital	-	-	31,667	(31,667)	-	-
BJA Grant Bulletproof Vests 2014						
Capital outlay - Noncapital	8,000	-	1,870	-	1,870	6,130

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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
Planning and community development:						
Julia Avenue Project						
Contracted services	\$ 29,730	\$ 3,430	\$ -	\$ -	\$ 3,430	\$ 26,300
Legal/Administrative	8,640	771	1,600	-	2,371	6,269
Total	38,370	4,201	1,600	-	5,801	32,569
Department of Commerce – CA						
Salaries and wages	-	31,500	-	(31,500)	-	-
Training	-	10,000	-	(10,000)	-	-
Grant administration	-	5,000	-	(5,000)	-	-
Total	-	46,500	-	(46,500)	-	-
Total expenditures	46,370	74,146	56,011	(122,486)	7,671	38,699
Excess of revenues over (under) expenditures	<u>(4,171)</u>	<u>22,318</u>	<u>(3,368)</u>	<u>16,749</u>	<u>35,699</u>	<u>39,870</u>
OTHER FINANCING SOURCES (USES)						
Transfer (to) from General Fund:						
NC Gov. Highway Safety Grant	-	4,575	(3,218)	(1,357)	-	-
BJA Grant Bulletproof Vests 2013	-	6,653	(3,477)	(3,176)	-	-
BJA Grant - In-Car Cameras	-	-	4,299	(4,299)	-	-
GCC 2014 Viper/MDT	-	-	7,917	(7,917)	-	-
BJA Grant Bulletproof Vests 2014	4,171	-	4,171	-	4,171	-
Total other financing sources (uses)	4,171	11,228	9,692	(16,749)	4,171	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 33,546</u>	<u>6,324</u>	<u>\$ -</u>	<u>\$ 39,870</u>	<u>\$ 39,870</u>
FUND BALANCE – Beginning			<u>33,546</u>			
FUND BALANCE – Ending			<u>\$ 39,870</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Investment earnings	\$ -	\$ 3	\$ 3	\$ 2
Total revenues	-	3	3	2
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	-	-	-
Total other financing sources	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	3	\$ 3	2
FUND BALANCE – Beginning		<u>56,432</u>		<u>56,430</u>
FUND BALANCE – Ending		<u>\$ 56,435</u>		<u>\$ 56,432</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Planning and community development:				
EDP 12-2 Thermo King	-	-	-	2,222
Capital Reserve	15,800	-	15,800	-
Total expenditures	15,800	-	15,800	2,222
Excess of revenues over (under) expenditures	<u>(15,800)</u>	<u>-</u>	<u>15,800</u>	<u>(2,222)</u>
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>	<u>\$ -</u>	<u>(2,222)</u>
FUND BALANCE – Beginning		<u>15,828</u>		<u>18,050</u>
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, 2015

	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	\$ 125,092	\$ 46,335	\$ -	\$ 171,427	\$ (653,573)
Investment income	-	30	5	-	35	35
Total revenues	<u>825,000</u>	<u>125,122</u>	<u>46,340</u>	<u>-</u>	<u>171,462</u>	<u>(653,538)</u>
EXPENDITURES						
Public safety:						
Police Training Center Building Improvement	-	23,170	11,590	(34,760)	-	-
Planning and community dev.:						
Beckford Drive Widening Project:						
Contingency	84,150	-	-	-	-	84,150
Administration	18,787	8,809	8,615	-	17,424	1,363
Construction	714,600	-	-	-	-	714,600
Engineering	201,713	200,862	-	-	200,862	851
Right of Way	12,000	-	10,800	-	10,800	1,200
Total	<u>1,019,250</u>	<u>209,671</u>	<u>19,415</u>	<u>-</u>	<u>229,086</u>	<u>790,164</u>
Total expenditures	<u>1,031,250</u>	<u>232,841</u>	<u>31,005</u>	<u>(34,760)</u>	<u>229,086</u>	<u>802,164</u>
Excess of revenues over (under) expenditures	<u>(206,250)</u>	<u>(107,719)</u>	<u>15,335</u>	<u>34,760</u>	<u>(57,624)</u>	<u>148,626</u>
OTHER FINANCING SOURCES (USES)						
Police Training Center						
Transfers (to) from General Fund	-	34,760	-	(34,760)	-	-
Beckford Drive Widening Project:						
Transfers (to) from General Fund	<u>206,250</u>	<u>206,250</u>	<u>-</u>	<u>-</u>	<u>206,250</u>	<u>-</u>
Total other financing sources (uses)	<u>206,250</u>	<u>241,010</u>	<u>-</u>	<u>(34,760)</u>	<u>206,250</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 133,291</u>	<u>15,335</u>	<u>\$ -</u>	<u>\$ 148,626</u>	<u>\$ 148,626</u>
FUND BALANCE – Beginning			<u>167,461</u>			
FUND BALANCE – Ending			<u>\$ 182,796</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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
Investment income	\$ -	\$ 21,263	\$ 5	\$ -	\$ 21,268	\$ 21,268
Sales tax refunds	-	500	44	-	544	544
Total revenues	-	21,763	49	-	21,812	21,812
EXPENDITURES						
Public Services:						
Street Repairs (Birch, Hillside, Cameron) Project:						
Legal/administration	500	105	-	-	105	395
Construction	115,428	108,553	-	-	108,553	6,875
Total expenditures	115,928	108,658	-	-	108,658	7,270
Excess of revenues over (under) expenditures	<u>(115,928)</u>	<u>(86,895)</u>	<u>49</u>	<u>-</u>	<u>(86,846)</u>	<u>29,082</u>
OTHER FINANCING SOURCES (USES)						
Street Repairs (Birch, Hillside, Cameron) Project:						
Transfers from General Fund	115,928	115,929	-	-	115,929	1
Transfers (to) General Fund	(21,600)	(21,600)	-	-	(21,600)	-
Fund balance appropriated	21,600	-	-	-	-	(21,600)
Total other financing sources (uses)	115,928	94,329	-	-	94,329	(21,599)
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 7,434</u>	<u>49</u>	<u>\$ -</u>	<u>\$ 7,483</u>	<u>\$ 7,483</u>
FUND BALANCE – Beginning			<u>29,800</u>			
FUND BALANCE – Ending			<u>\$ 29,849</u>			

CITY OF HENDERSON, NORTH CAROLINA

Permanent Fund – Elmwood Cemetery

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Investment earnings	\$ -	\$ 73	\$ 73	\$ 42
EXPENDITURES				
Public Services	-	-	-	-
Excess of revenues over (under) expenditures	-	73	73	42
OTHER FINANCING SOURCES (USES)				
Transfer (to) General Fund	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	73	\$ 73	42
FUND BALANCE – Beginning		431,012		430,970
FUND BALANCE – Ending		\$ 431,085		\$ 431,012

CITY OF HENDERSON, NORTH CAROLINA

Water Fund

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

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 5,523,730	\$ 5,532,586	\$ 8,856	\$ 5,540,712
Water reservation fee - Granville County	951,100	-	(951,100)	861,159
Water reservation fee - Vance County	52,800	52,875	75	52,875
Debt setoff - water charges	5,000	3,208	(1,792)	5,146
Sprinklers and hydrants	100,000	118,629	18,629	123,649
Bad debts recovery	5,000	4,428	(572)	5,104
Returned check fees	4,000	3,151	(849)	3,500
Tapping	35,000	42,566	7,566	39,714
Reconnection	20,000	23,604	3,604	21,616
Set up charges	12,000	11,093	(907)	11,356
Overpayments utilities	-	6,044	6,044	(405)
Past due charges	71,000	74,458	3,458	68,510
Total	<u>6,779,630</u>	<u>5,872,642</u>	<u>(906,988)</u>	<u>6,732,936</u>
Other operating revenues				
Sale of materials	2,000	5,187	3,187	2,910
Miscellaneous	34,130	36,907	2,777	5,873
Over-short	-	150	150	(152)
Total	<u>36,130</u>	<u>42,244</u>	<u>6,114</u>	<u>8,631</u>
Total operating revenues	<u>6,815,760</u>	<u>5,914,886</u>	<u>(900,874)</u>	<u>6,741,567</u>
Non-operating revenues				
Interest on investments	3,000	3,585	585	3,097
Interest on water reservation note receivable	-	-	-	89,979
Insurance proceeds	900	1,419	519	4,895
Sale of assets	-	-	-	4,000
T-Mobile Agreement	25,000	26,790	1,790	26,265
Sprint PCS Site Agreement	25,000	26,429	1,429	25,905
Total non-operating revenues	<u>53,900</u>	<u>58,223</u>	<u>4,323</u>	<u>154,141</u>
Total revenues	<u>6,869,660</u>	<u>5,973,109</u>	<u>(896,551)</u>	<u>6,895,708</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
EXPENDITURES				
Administration and engineering				
Salaries and employee benefits	\$ 224,740	\$ 224,601	\$ 139	\$ 180,244
Supplies	13,400	11,178	2,222	35,983
Telephone	3,200	3,086	114	3,025
Insurance	3,600	3,356	244	2,676
Contracted services	1,600	963	637	11,945
Capital outlay	7,700	7,390	310	-
Capital outlay - noncapital	-	-	-	1,171
Other administration expenses	12,800	5,861	6,939	5,044
Total	<u>267,040</u>	<u>256,435</u>	<u>10,605</u>	<u>240,088</u>
Public services administration				
Salaries and employee benefits	69,900	36,369	33,531	-
Supplies	2,400	333	2,067	-
Telephone	1,500	297	1,203	-
Insurance	800	154	646	-
Contracted services	1,000	81	919	-
Capital outlay	30,000	28,092	1,908	-
Capital outlay - noncapital	2,100	1,855	245	-
Other expenses	2,600	432	2,168	-
Total	<u>110,300</u>	<u>67,613</u>	<u>42,687</u>	<u>-</u>
Water distribution operations				
Salaries and employee benefits	381,100	340,214	40,886	355,912
Purchases for resale	2,939,000	2,902,557	36,443	2,588,916
Supplies	82,300	39,499	42,801	40,878
Telephone	6,800	3,526	3,274	3,495
Utilities	22,200	15,450	6,750	18,740
Insurance	21,600	16,327	5,273	15,352
Contracted services	134,300	76,862	57,438	92,784
Reimbursement - Water	50,900	39,311	11,589	41,054
Maintenance	108,200	73,097	35,103	86,459
Water line repairs	130,000	116,357	13,643	139,881
Water meter replacements	78,000	74,179	3,821	84,035
Water taps	33,000	9,774	23,226	15,273
Capital outlay	15,000	13,983	1,017	52,870
Capital outlay - noncapital	22,300	2,749	19,551	-
Other expenses	29,600	16,675	12,925	21,449
Total	<u>4,054,300</u>	<u>3,740,560</u>	<u>313,740</u>	<u>3,557,098</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Customer service				
Salaries and employee benefits	\$ 361,800	\$ 332,962	\$ 28,838	\$ 341,190
Supplies	29,600	15,922	13,678	18,487
Telephone	3,200	2,946	254	2,787
Insurance	12,500	11,753	747	11,441
Contracted services	71,700	50,121	21,579	52,542
Capital outlay	15,900	14,850	1,050	-
Capital outlay - noncapital	1,900	800	1,100	-
Other expenses	30,000	28,161	1,839	23,196
Total	<u>526,600</u>	<u>457,515</u>	<u>69,085</u>	<u>449,643</u>
Non-departmental				
Retiree insurance	23,600	17,090	6,510	20,179
Workers' compensation insurance	5,000	-	5,000	1,017
Vacation and comp. time payout	3,700	-	3,700	-
Licenses/Permits/Fees	1,400	621	779	-
Reserve for bad debt	80,000	44,695	35,305	66,010
Contingency	50,100	-	50,100	-
Insurance reserve	18,760	195	18,565	-
Other reserve	12,000	-	12,000	-
Contracted services	260	(1,389)	1,649	4,310
Total	<u>194,820</u>	<u>61,212</u>	<u>133,608</u>	<u>91,516</u>
Debt Service				
Lease purchase payments	34,400	34,371	29	35,020
Interest and fees	146,555	146,231	324	168,606
Principal	935,400	935,350	50	906,529
Total	<u>1,116,355</u>	<u>1,115,952</u>	<u>403</u>	<u>1,110,155</u>
Total expenditures	<u>6,269,415</u>	<u>5,699,287</u>	<u>570,128</u>	<u>5,448,500</u>
Excess of revenues over (under) expenditures	<u>600,245</u>	<u>273,822</u>	<u>(1,466,679)</u>	<u>1,447,208</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
General Fund	96,915	96,910	(5)	97,552
Sewer Fund	606,040	606,040	-	531,141
Regional Water System Fund	96,000	96,000	-	96,000
Transfers (to) other funds:				
General fund	(361,300)	(361,300)	-	(361,300)
Capital Reserve Utilities Fund	(50,100)	(50,100)	-	(44,600)
Rate Stabilization Fund	(989,800)	-	989,800	(1,955,114)
Loss on settlement	-	-	-	(1,853,416)
Total other financing sources	<u>(602,245)</u>	<u>387,550</u>	<u>989,795</u>	<u>(3,489,737)</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Excess of revenues and other financing sources over (under) expenditures	\$ (2,000)	\$ 661,372	\$ 663,372	\$ (2,042,529)
Fund balance appropriated	2,000	-	(2,000)	-
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	\$ -	\$ 661,372	\$ 661,372	\$ (2,042,529)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 661,372		\$ (2,042,529)
Reconciling items:				
Debt service - principal		967,689		938,601
Capital outlay		64,315		52,870
Depreciation		(396,660)		(414,145)
Increase (decrease) in notes receivable		(43,750)		(7,242,083)
(Increase) decrease in accrued liabilities:				
Accrued vacation		(2,407)		1,757
Accrued interest		3,678		2,971
Accrued OPEB Liability		(25,816)		(27,553)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		48,513		-
Pension expense		(2,996)		-
Consolidated activity:				
Water Capital Project Fund:				
Sales tax refunds		41,261		-
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		(47)		-
Transfers (to) from Water Fund		50,100		44,600
Rate Stabilization Fund:				
Excess of revenues over (under) expenses		6,484		24
Transfers (to) from Water Fund		-		1,955,114
Total reconciling items		710,364		(4,687,844)
Change in net position		\$ 1,371,736		\$ (6,730,373)

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

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

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Sewer Charges	\$ 4,389,000	\$ 4,128,102	\$ (260,898)	\$ 4,416,160
Sewer surcharges	16,000	16,585	585	15,793
Debt setoff - sewer charges	10,400	6,416	(3,984)	11,447
Bad debts recovery	10,000	7,520	(2,480)	9,217
Tapping	5,000	3,000	(2,000)	7,533
Reconnection	51,000	55,075	4,075	50,436
Code violations	5,000	5,600	600	8,825
Set up charges	25,000	25,885	885	26,496
Fog compliance monitoring	8,000	10,672	2,672	8,873
Past due charges	165,000	173,735	8,735	159,856
Total	<u>4,684,400</u>	<u>4,432,590</u>	<u>(251,810)</u>	<u>4,714,636</u>
Other operating revenues				
Sale of materials	-	883	883	-
Miscellaneous	7,210	8,787	1,577	1,559
Total	<u>7,210</u>	<u>9,670</u>	<u>2,460</u>	<u>1,559</u>
Total operating revenues	<u>4,691,610</u>	<u>4,442,260</u>	<u>(249,350)</u>	<u>4,716,195</u>
Non-operating revenues				
Interest on investments	1,000	1,471	471	1,379
Sale of assets	-	-	-	3,155
Vance County	155,600	138,404	(17,196)	144,218
Total non-operating revenues	<u>156,600</u>	<u>139,875</u>	<u>(16,725)</u>	<u>148,752</u>
Total revenues	<u>4,848,210</u>	<u>4,582,135</u>	<u>(266,075)</u>	<u>4,864,947</u>
EXPENDITURES				
Water Reclamation Facility				
Salaries and employee benefits	910,540	856,348	54,192	834,502
Supplies	359,900	330,152	29,748	312,399
Telephone	14,600	14,725	(125)	14,637
Utilities	350,100	350,512	(412)	329,531
Insurance	49,900	44,537	5,363	48,134
Contracted Services	228,700	206,404	22,296	188,425
Maintenance	249,000	187,278	61,722	296,209
Capital outlay	16,400	-	16,400	57,470
Capital outlay - noncapital	1,500	499	1,001	523
Other expenses	20,700	13,978	6,722	18,686
Total	<u>2,201,340</u>	<u>2,004,433</u>	<u>196,907</u>	<u>2,100,516</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Sewer Collection Operations				
Salaries and employee benefits	\$ 193,400	\$ 175,629	\$ 17,771	\$ 170,281
Supplies	30,200	17,203	12,997	17,416
Telephone	3,500	2,170	1,330	2,148
Utilities	20,000	12,406	7,594	15,653
Insurance	16,600	15,654	946	13,677
Contracted services	21,800	6,925	14,875	8,035
Reimbursement - Utility policy	1,900	1,404	496	1,741
Maintenance	72,100	14,366	57,734	35,888
Sewer line repairs	21,800	14,077	7,723	16,467
Sewer taps	6,000	-	6,000	203
Capital outlay	21,000	13,983	7,017	77,717
Capital outlay - noncapital	4,500	2,749	1,751	11,022
Other expenses	16,400	9,063	7,337	10,250
Total	<u>429,200</u>	<u>285,629</u>	<u>143,571</u>	<u>380,498</u>
Sewer I & I Operations				
Salaries and employee benefits	114,700	109,841	4,859	102,090
Supplies	25,300	9,872	15,428	11,869
Insurance	14,800	12,451	2,349	13,265
Contracted services	21,000	19,094	1,906	19,642
Maintenance	6,800	3,392	3,408	3,366
Capital outlay	3,000	-	3,000	24,809
Capital outlay - noncapital	1,700	-	1,700	-
Other expenses	7,400	4,503	2,897	5,038
Total	<u>194,700</u>	<u>159,153</u>	<u>35,547</u>	<u>180,079</u>
Non-departmental				
Retiree insurance	31,000	19,188	11,812	21,443
Workers' compensation insurance	3,000	-	3,000	1,243
Vacation and comp. time payout	6,000	-	6,000	-
Licenses/Permits/Fees	300	172	128	-
Reserve for bad debt	78,000	77,839	161	118,993
Insurance reserve	12,710	334	12,376	-
Other reserve	12,500	-	12,500	-
Contracted services	260	(1,389)	1,649	4,310
Contingency	26,700	-	26,700	-
Total	<u>170,470</u>	<u>96,144</u>	<u>74,326</u>	<u>145,989</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Debt Service				
Lease purchase payments	\$ 31,400	\$ 31,388	\$ 12	\$ 65,438
Interest and fees	25,930	25,793	137	38,428
Principal	247,530	201,951	45,579	339,798
Total	304,860	259,132	45,728	443,664
Total expenditures	3,300,570	2,804,491	496,079	3,250,746
Excess of revenues over (under) expenditures	1,547,640	1,777,644	(762,154)	1,614,201
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds:				
General Fund	(402,800)	(252,800)	150,000	(252,800)
Sewer Capital Project Fund	(25,000)	(25,000)	-	-
Water Fund	(606,040)	(606,040)	-	(531,141)
Capital Reserve Utilities Fund	(77,800)	(77,800)	-	(77,800)
Rate Stabilization Fund	(436,000)	(436,000)	-	(64,200)
Total other financing sources	(1,547,640)	(1,397,640)	150,000	(925,941)
Excess of revenues and other financing sources over (under) expenditures	-	380,004	380,004	688,260
Fund balance appropriated	-	-	-	-
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	\$ -	\$ 380,004	\$ 380,004	\$ 688,260

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

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

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 380,004		\$ 688,260
Reconciling items:				
Debt service - principal		231,802		402,584
Capital outlay		13,983		159,996
Depreciation		(751,514)		(752,905)
Increase (decrease) in inventory		2,245		(1,400)
(Increase) decrease in accrued liabilities:				
Accrued vacation		707		(8,659)
Accrued interest		1,348		464
Accrued OPEB Liability		(31,175)		(35,179)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		61,651		-
Pension expense		(3,807)		-
Consolidated activity:				
Sewer Capital Project Fund:				
Sales tax refunds		-		7,607
Capital contributions received		448,481		383,430
Transfers (to) from Sewer Fund		25,000		-
Transfers (to) from other funds		-		36,000
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		25,672		1,183
Transfers (to) from Sewer Fund		77,800		77,800
Transfers (to) from other funds		-		(36,000)
Rate Stabilization Fund				
Excess of revenues over (under) expenses		(54)		-
Transfers (to) from Sewer Fund		436,000		64,200
Total reconciling items		<u>538,139</u>		<u>195,761</u>
Change in net position		<u>\$ 918,143</u>		<u>\$ 884,021</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Charges for services				
Water charges	\$ 4,270,000	\$ 4,640,830	\$ 370,830	\$ 4,209,096
Other operating revenues				
Miscellaneous	15,240	19,593	4,353	12,499
Total operating revenues	<u>4,285,240</u>	<u>4,660,423</u>	<u>375,183</u>	<u>4,221,595</u>
Non-operating revenues				
Interest on investments	3,000	2,924	(76)	4,111
Sale of assets	-	42	42	-
Total non-operating revenues	<u>3,000</u>	<u>2,966</u>	<u>(34)</u>	<u>4,111</u>
Total revenues	<u>4,288,240</u>	<u>4,663,389</u>	<u>375,149</u>	<u>4,225,706</u>
EXPENDITURES				
Regional Water Plant				
Salaries and employee benefits	639,840	592,510	47,330	608,815
Supplies	536,440	433,043	103,397	401,703
Telephone	5,900	5,036	864	4,868
Utilities	421,000	405,226	15,774	385,730
Insurance	40,800	35,564	5,236	34,308
Contracted services	256,976	240,255	16,721	253,697
Maintenance	169,200	151,286	17,914	142,910
Capital outlay	74,000	25,338	48,662	67,629
Capital outlay - noncapital	5,000	3,476	1,524	9,748
Other expenses	37,700	21,958	15,742	20,013
Total	<u>2,186,856</u>	<u>1,913,692</u>	<u>273,164</u>	<u>1,929,421</u>
Non-departmental				
Retiree insurance	31,300	19,812	11,488	22,698
Workers' compensation insurance	5,400	-	5,400	565
Vacation and comp. time payout	2,000	-	2,000	-
Insurance reserve	3,300	139	3,161	-
Other reserve	6,000	-	6,000	-
Bank service charges	1,400	607	793	-
Contracted services	260	33	227	967
Contingency	30,000	-	30,000	-
Total	<u>79,660</u>	<u>20,591</u>	<u>59,069</u>	<u>24,230</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
Debt Service				
Interest and fees	\$ 138,184	\$ 138,053	\$ 131	\$ 161,343
Principal	763,540	707,063	56,477	683,900
Total	<u>901,724</u>	<u>845,116</u>	<u>56,608</u>	<u>845,243</u>
Total expenditures	<u>3,168,240</u>	<u>2,779,399</u>	<u>388,841</u>	<u>2,798,894</u>
Excess of revenues over (under) expenditures	<u>1,120,000</u>	<u>1,883,990</u>	<u>(13,692)</u>	<u>1,426,812</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds:				
General Fund	(225,000)	(219,200)	5,800	(219,200)
Water Fund	(96,000)	(96,000)	-	(96,000)
Regional Water System Capital Project Fund	(38,000)	(38,000)	-	(182,000)
Regional Water Reserve Fund	<u>(761,000)</u>	<u>(761,000)</u>	<u>-</u>	<u>(618,750)</u>
Total other financing sources	<u>(1,120,000)</u>	<u>(1,114,200)</u>	<u>5,800</u>	<u>(1,115,950)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>-</u>	<u>769,790</u>	<u>769,790</u>	<u>310,862</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>\$ 769,790</u>	<u>\$ 769,790</u>	<u>\$ 310,862</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 769,790		\$ 310,862
Reconciling items:				
Debt service - principal		707,063		683,900
Capital outlay		25,338		67,629
Depreciation		(480,508)		(477,880)
Increase (decrease) in inventory		18,282		(31,950)
(Increase) decrease in accrued liabilities:				
Accrued vacation		(1,268)		1,686
Accrued interest		6,957		(13,646)
Accrued OPEB Liability		(16,921)		(19,687)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		32,630		-
Pension expense		(2,015)		-
Consolidated activity:				
Regional Water System Capital Project Fund				
Investment earnings		78		46
Transfers (to) from Regional Water System Fund		38,000		182,000
Regional Water Reserve Fund				
Excess of revenues over (under) expenses		2,001		94
Transfers (to) from Regional Water System Fund		<u>761,000</u>		<u>618,750</u>
Total reconciling items		<u>1,090,637</u>		<u>1,010,942</u>
Change in net position		<u>\$ 1,860,427</u>		<u>\$ 1,321,804</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, 2015

	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	\$ -	\$ 21,814	\$ 21,814
Radio Read Water Meter Purch.	-	-	19,447	-	19,447	19,447
General	582	3,542	-	-	3,542	2,960
Total revenues	582	3,542	41,261	-	44,803	44,221
EXPENDITURES						
Capital Outlay:						
2" Water Line Replacement						
Permit Fees	2,200	1,750	75	-	1,825	375
Admin. / Closing fee	37,971	37,971	-	-	37,971	-
Legal / Admin.	5,800	1,244	49	-	1,293	4,507
Engineering	36,000	30,672	-	-	30,672	5,328
Construction	1,816,600	1,105,819	616,758	-	1,722,577	94,023
Total	1,898,571	1,177,456	616,882	-	1,794,338	104,233
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	-
Total expenditures	2,240,581	1,519,466	616,882	-	2,136,348	104,233
Excess of revenues over (under) expenditures	(2,239,999)	(1,515,924)	(575,621)	-	(2,091,545)	148,454

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, 2015

	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	\$ 1,154,544	\$ 604,542	\$ -	\$ 1,759,086	\$ (139,485)
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	<u>47,500</u>	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>47,500</u>	<u>-</u>
Total other financing sources (uses)	<u>2,239,999</u>	<u>1,495,972</u>	<u>604,542</u>	<u>-</u>	<u>2,100,514</u>	<u>(139,485)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (19,952)</u>	28,921	<u>\$ -</u>	<u>\$ 8,969</u>	<u>\$ 8,969</u>
FUND BALANCE – Beginning			<u>(19,952)</u>			
FUND BALANCE – Ending			<u>\$ 8,969</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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
REVENUES						
HWRF Improvements						
Restricted intergovernmental						
CWSRF principal forgiveness	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$(1,000,000)
NC CWMTF grant	600,000	-	-	-	-	(600,000)
Sales tax refunds	-	-	-	-	-	-
Total	1,600,000	-	-	-	-	(1,600,000)
Sanitary Sewer Rehabilitation						
Restricted intergovernmental						
CWSRF principal forgiveness	-	494,391	-	(494,391)	-	-
NC Rural Center grant	-	-	109,328	(109,328)	-	-
Sales tax refunds	-	7,607	(7,607)	-	-	-
Total	-	501,998	101,721	(603,719)	-	-
Sandy Creek Pump Station Imp.						
Restricted intergovernmental						
CWSRF principal forgiveness	848,437	197,083	339,153	-	536,236	(312,201)
Investment income						
	-	16,675	-	-	16,675	16,675
Sales tax refunds						
	-	41,468	7,607	-	49,075	49,075
Total revenues	2,448,437	757,224	448,481	(603,719)	601,986	(3,446,451)
EXPENDITURES						
Capital Outlay:						
Newton Dairy Pump Project						
Professional Services	1,000	-	174	-	174	826
Right of Way	21,000	-	-	-	-	21,000
Engineering	25,900	17,283	-	-	17,283	8,617
Total	47,900	17,283	174	-	17,457	30,443
HWRF Improvements						
Legal/Admin	5,000	4,659	570	-	5,229	(229)
Engineering	1,114,634	1,076,923	28,314	-	1,105,237	9,397
Construction / Admin	16,289,165	10,313,075	4,521,916	-	14,834,991	1,454,174
Closing Fee - Grant / Loan	367,300	342,300	-	-	342,300	25,000
Land acquisition	27,000	26,985	-	-	26,985	15
Contingency	415,261	-	-	-	-	415,261
Total	18,218,360	11,763,942	4,550,800	-	16,314,742	1,903,618

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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Sanitary Sewer Rehabilitation						
Engineering	\$ -	\$ 155,258	\$ -	\$ (155,258)	\$ -	\$ -
Legal/Admin	-	620	-	(620)	-	-
Construction	-	942,232	-	(942,232)	-	-
SRF Closing Fee	-	20,000	-	(20,000)	-	-
Total	-	1,118,110	-	(1,118,110)	-	-
Elmwood Cemetery Outfall						
Planning and design	98,000	44,100	62,685	-	106,785	(8,785)
Legal/Admin	2,500	1,126	1,479	-	2,605	(105)
Engineering	32,400	19,300	4,800	-	24,100	8,300
Construction	1,531,950	-	-	-	-	1,531,950
Right of Way Easements	25,000	-	9,320	-	9,320	15,680
SRF Closing Fee	36,000	-	-	-	-	36,000
Contingency	154,450	-	-	-	-	154,450
Total	1,880,300	64,526	78,284	-	142,810	1,737,490
Sandy Creek Pump Station Imp.						
Engineering and Geotechnical	143,100	128,451	(480)	-	127,971	15,129
Legal/Admin	2,500	871	-	-	871	1,629
Geotechnical	22,000	1,577	1,611	-	3,188	18,812
Construction	1,477,594	264,930	675,948	-	940,878	536,716
SRF Closing Fee	34,000	33,937	-	-	33,937	63
Contingency	69,880	-	-	-	-	69,880
Total	1,749,074	429,766	677,079	-	1,106,845	642,229
Total expenditures	21,895,634	13,393,627	5,306,337	(1,118,110)	17,581,854	4,313,780
Excess of revenues over (under) expenditures	<u>(19,447,197)</u>	<u>(12,636,403)</u>	<u>(4,857,856)</u>	<u>514,391</u>	<u>(16,979,868)</u>	<u>2,467,329</u>
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	11,322,836	4,550,600	-	15,873,436	(241,564)
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	11,826,196	4,550,600	-	16,376,796	(241,564)

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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Sanitary Sewer Rehabilitation						
Loan proceeds - CWSRF	\$ -	\$ 494,391	\$ -	\$ (494,391)	\$ -	\$ -
Transfer (to) from Sewer Fund	-	20,000	-	(20,000)	-	-
Total	-	514,391	-	(514,391)	-	-
Elmwood Cemetery Outfall						
Loan proceeds - CWSRF	1,800,000	-	142,810	-	142,810	(1,657,190)
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	55,300	167,810	-	223,110	(1,657,190)
Sandy Creek Pump Station Imp.						
Loan proceeds - CWSRF	848,437	197,083	339,153	-	536,236	(312,201)
Transfer from Cap. Res. Utilities	52,200	52,200	-	-	52,200	-
Total	900,637	249,283	339,153	-	588,436	(312,201)
Loan discount	-	6,506	-	-	6,506	6,506
Other	-	1,448	-	-	1,448	1,448
Total other financing sources (uses)	19,447,197	12,701,024	5,057,563	(514,391)	17,244,196	(2,203,001)
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 64,621	199,707	\$ -	\$ 264,328	\$ 264,328
FUND BALANCE – Beginning			64,621			
FUND BALANCE – Ending			\$ 264,328			

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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
REVENUES						
20MGD Expansion						
Investment income	\$ 198,560	\$ 198,926	\$ 14	\$ -	\$ 198,940	\$ 380
Sales tax refunds	175,300	175,300	-	-	175,300	-
Total	373,860	374,226	14	-	374,240	380
KLRW Interbasin Transfer						
Investment income	12	76	45	-	121	109
Warren Co. Meter Location						
Investment income	100	33	19	-	52	(48)
Total revenues	373,972	374,335	78	-	374,413	821
EXPENDITURES						
Capital Outlay:						
20MGD Expansion						
Engineering	1,088,556	1,078,588	13,000	-	1,091,588	(3,032)
Planning/design	13,636	13,636	-	-	13,636	-
Contingency	52,750	-	-	-	-	52,750
Legal/Admin	62,622	60,672	-	-	60,672	1,950
Total	1,217,564	1,152,896	13,000	-	1,165,896	51,668
KLRW Interbasin Transfer						
Engineering	650,911	505,384	145,465	-	650,849	62
Planning/design	119,988	119,988	-	-	119,988	-
Contingency	58,877	-	-	-	-	58,877
Professional services	79,224	32,273	40,718	-	72,991	6,233
Total	909,000	657,645	186,183	-	843,828	65,172
Warren Co. Meter Location						
Engineering	3,000	3,000	-	-	3,000	-
Legal/Admin	1,100	475	-	-	475	625
Construction	108,000	103,682	4,222	-	107,904	96
Total	112,100	107,157	4,222	-	111,379	721
KLRWP High Speed Eff. Pump						
Engineering	67,000	32,159	7,876	-	40,035	26,965
Contingency	54,090	-	-	-	-	54,090
Legal/Admin	9,000	1,585	-	-	1,585	7,415
Construction	976,330	-	902,550	-	902,550	73,780
SRF Closing Fee	22,580	22,580	-	-	22,580	-
Total	1,129,000	56,324	910,426	-	966,750	162,250

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, 2015

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Containment Wall at KLRW Plant Construction	\$ 144,000	\$ -	\$ 45,816	\$ -	\$ 45,816	\$ 98,184
Total expenditures	3,511,664	1,974,022	1,159,647	-	3,133,669	377,995
Excess of revenues over (under) expenditures	<u>(3,137,692)</u>	<u>(1,599,687)</u>	<u>(1,159,569)</u>	<u>-</u>	<u>(2,759,256)</u>	<u>378,436</u>
OTHER FINANCING SOURCES (USES)						
20MGD Expansion						
Transfer from Regional Water	801,704	801,704	-	-	801,704	-
Transfer from Cap. Res. 20MGD	42,000	42,000	-	-	42,000	-
Total	843,704	843,704	-	-	843,704	-
KLRW Interbasin Transfer						
Transfer from Regional Water	383,988	345,988	38,000	-	383,988	-
Transfer from Cap. Res. IBT	525,000	525,000	-	-	525,000	-
Total	908,988	870,988	38,000	-	908,988	-
Warren Co. Meter Location						
Transfer from Regional Water	100,000	100,000	-	-	100,000	-
Fund balance appropriated	12,000	-	-	-	-	(12,000)
Total	112,000	100,000	-	-	100,000	(12,000)
KLRWP High Speed Eff. Pump						
Loan proceeds - DWSRF	1,129,000	-	945,642	-	945,642	(183,358)
Containment Wall at KLRW Plant						
Transfer from Regional Water	144,000	144,000	-	-	144,000	-
Total other financing sources (uses)	<u>3,137,692</u>	<u>1,958,692</u>	<u>983,642</u>	<u>-</u>	<u>2,942,334</u>	<u>(195,358)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 359,005</u>	<u>(175,927)</u>	<u>\$ -</u>	<u>\$ 183,078</u>	<u>\$ 183,078</u>
FUND BALANCE – Beginning			<u>359,005</u>			
FUND BALANCE – Ending			<u>\$ 183,078</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Capital Reserve - Water				
Investment earnings	\$ 100	\$ -	\$ (100)	\$ -
Capital Reserve - Sewer				
Investment earnings	\$ 56	\$ 416	\$ 360	\$ 268
Capacity usage fee	-	25,295	25,295	915
Total revenues	<u>156</u>	<u>25,711</u>	<u>25,555</u>	<u>1,183</u>
EXPENDITURES				
Capital Reserve - Water				
Licenses/Permits/Fees	100	47	53	-
Reserve	105,700	-	105,700	-
Capital Reserve - Sewer				
Licenses/Permits/Fees	100	39	61	-
Reserve	187,100	-	187,100	-
Total expenditures	<u>293,000</u>	<u>86</u>	<u>292,914</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(292,844)</u>	<u>25,625</u>	<u>318,469</u>	<u>1,183</u>
OTHER FINANCING SOURCES (USES)				
Capital Reserve - Water				
Transfer (to) from other fund:				
Water Fund	50,100	50,100	-	44,600
Fund balance appropriated	55,600	-	(55,600)	-
Capital Reserve - Sewer				
Transfer (to) from other fund:				
Sewer Fund	77,800	77,800	-	77,800
Sewer Capital Project Fund	-	-	-	(36,000)
Fund balance appropriated	109,344	-	(109,344)	-
Total other financing sources	<u>292,844</u>	<u>127,900</u>	<u>(164,944)</u>	<u>86,400</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>153,525</u>	<u>\$ 153,525</u>	<u>87,583</u>
FUND BALANCE – Beginning		<u>173,815</u>		<u>86,232</u>
FUND BALANCE – Ending		<u>\$ 327,340</u>		<u>\$ 173,815</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	2015		Variance Positive (Negative)	2014 Actual
	Budget	Actual		
REVENUES				
Investment earnings				
Capital Reserve - Regional	\$ -	\$ 26	\$ 26	\$ 7
Capital Reserve - Regional COE	-	7	7	2
Capital Reserve - Regional 20MGD	-	2,577	2,577	85
Total revenues	<u>-</u>	<u>2,610</u>	<u>2,610</u>	<u>94</u>
EXPENDITURES				
Capital Reserve - Regional				
Licenses/Permits/Fees	100	42	58	-
Reserve	224,900	-	224,900	-
Capital Reserve - Regional COE				
Licenses/Permits/Fees	100	12	88	-
Reserve	58,900	-	58,900	-
Capital Reserve - Regional 20MGD				
Licenses/Permits/Fees	1,200	555	645	-
Reserve	3,517,800	-	3,517,800	-
Total	<u>3,803,000</u>	<u>609</u>	<u>3,802,391</u>	<u>-</u>
Total expenditures	<u>3,803,000</u>	<u>609</u>	<u>3,802,391</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(3,803,000)</u>	<u>2,001</u>	<u>3,805,001</u>	<u>94</u>
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other fund:				
Regional Water Fund				
Capital Reserve - Regional	-	-	-	37,500
Capital Reserve - Regional COE	5,000	5,000	-	6,750
Capital Reserve - Regional 20MGD	756,000	756,000	-	574,500
Fund balance appropriated	3,042,000	-	(3,042,000)	-
Total other financing sources	<u>3,803,000</u>	<u>761,000</u>	<u>(3,042,000)</u>	<u>618,750</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>763,001</u>	<u>\$ 763,001</u>	<u>\$ 618,844</u>
FUND BALANCE – Beginning		<u>2,835,916</u>		<u>2,217,072</u>
FUND BALANCE – Ending		<u>\$ 3,598,917</u>		<u>\$ 2,835,916</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, 2015, with Comparative Totals for the Fiscal Year ended June 30, 2014

	<u>2015</u>		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Rate Stabilization - Water				
Investment earnings	\$ 12,000	\$ 6,807	\$ (5,193)	\$ 24
Rate Stabilization - Sewer				
Investment earnings	1,000	-	(1,000)	-
Total revenues	<u>13,000</u>	<u>6,807</u>	<u>(6,193)</u>	<u>24</u>
EXPENDITURES				
Rate Stabilization - Water				
20MGD Water Plant Expansion	4,047,100	-	4,047,100	-
Licenses/Permits/Fees	700	323	377	-
Rate Stabilization - Sewer				
HWRF Upgrade Project	974,800	-	974,800	-
Licenses/Permits/Fees	200	54	146	-
Total expenditures	<u>5,022,800</u>	<u>377</u>	<u>5,022,423</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(5,009,800)</u>	<u>6,430</u>	<u>5,016,230</u>	<u>24</u>
OTHER FINANCING SOURCES (USES)				
Rate Stabilization - Water				
Transfer (to) from Water Fund	989,800	-	(989,800)	1,955,114
Fund balance appropriated	3,046,000	-	(3,046,000)	-
Rate Stabilization - Sewer				
Transfer (to) from other fund:				
Sewer Fund	436,000	436,000	-	64,200
Fund balance appropriated	538,000	-	(538,000)	-
Total other financing sources	<u>5,009,800</u>	<u>436,000</u>	<u>(4,573,800)</u>	<u>2,019,314</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>442,430</u>	<u>\$ 442,430</u>	<u>2,019,338</u>
FUND BALANCE – Beginning		<u>3,384,189</u>		<u>1,364,851</u>
FUND BALANCE – Ending		<u>\$ 3,826,619</u>		<u>\$ 3,384,189</u>

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 6,080,830	\$ 5,886,491	\$ 194,339
2013-2014	257,016	-	150,133	106,883
2012-2013	183,263	-	87,731	95,532
2011-2012	58,358	-	22,002	36,356
2010-2011	34,025	-	14,002	20,023
2009-2010	20,823	-	5,498	15,325
2008-2009	45,757	-	17,065	28,692
2007-2008	17,015	-	4,192	12,823
2006-2007	16,962	-	2,905	14,057
2005-2006	15,964	-	2,676	13,288
2004-2005	18,661	-	18,661	-
	<u>\$ 667,844</u>	<u>\$ 6,080,830</u>	<u>\$ 6,211,356</u>	537,318
				Less: allowance for uncollectible accounts: <u>(170,000)</u>
				Ad Valorem taxes receivable – net <u>\$ 367,318</u>
 <u>Reconciliation with revenues:</u>				
				Ad valorem taxes - General Fund \$ 6,125,558
				Reconciling items:
				Interest collected (67,160)
				Collections of previously written off taxes (853)
				Taxes written off 679
				Releases <u>153,132</u>
				Total collections and credits <u>\$ 6,211,356</u>

CITY OF HENDERSON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2015

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 983,556,126	0.620	\$ 6,098,049	\$ 5,600,284	\$ 497,765
Motor vehicles taxed at prior year's rate	174,889	0.620	1,084	-	1,084
Penalties	-		9,210	9,210	-
Total	983,731,015		6,108,343	5,609,494	498,849
Discoveries:					
Current year taxes	807,081	0.620	5,004	5,004	-
Prior year taxes	801,239	0.620	4,968	4,968	-
Prior year taxes	1,871,339	0.585	10,948	10,929	19
Prior year taxes	6,753	0.565	38	38	-
Total	3,486,412		20,958	20,939	19
Abatements					
Current year taxes	(7,551,624)	0.620	(48,471)	(48,471)	-
Total property valuation	\$ 979,665,803				
Net levy			6,080,830	5,581,962	498,868
Less Uncollected taxes at June 30, 2015			194,339	194,199	140
Current year's taxes collected			\$ 5,886,491	\$ 5,387,763	\$ 498,728
Current levy collection percentage			96.80%	96.52%	99.97%
Tax Rate per \$100					
General Fund	\$ 0.620				
Public Library Fund	-				
Total	\$ 0.620				

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									
	2015 (a)	2014 (b)	2013	2012 (b)	2011	2010	2009	2008	2007	2006
Governmental Activities										
Net investment in										
capital assets	\$ 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	\$ 13,815,383
Restricted	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	1,670,187
Unrestricted (deficit)	<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>	<u>2,513,837</u>
Total	<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>	<u>\$ 17,999,407</u>
Business-type Activities										
Net investment in										
capital assets	\$ 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	\$ 43,948,036
Restricted	-	-	-	-	-	-	-	225,065	215,715	238,723
Unrestricted (deficit)	<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>	<u>3,385,127</u>
Total	<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>	<u>\$ 47,571,886</u>
Primary Government										
Net investment in										
capital assets	\$ 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	\$ 57,763,419
Restricted	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	1,908,910
Unrestricted (deficit)	<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>	<u>5,898,964</u>
Total	<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>	<u>\$ 65,571,293</u>

Notes

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

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

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

c: 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									
	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007	2006
Governmental Activities										
Expenses										
General government	\$ 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	\$ 3,012,332
Public safety	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	5,504,781
Planning and community dev.	254,659	376,614	362,099	3,821,273	-	-	-	-	-	-
Economic and physical dev.	-	-	-	-	444,922	45,732	498,004	2,079,810	140,137	127,149
Human Services	-	-	-	-	302,533	267,359	604,768	-	-	-
Public services										
Transportation and other	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	1,994,972
Environmental protection	822,787	884,873	830,317	900,391	900,033	859,341	1,309,976	1,132,792	972,879	960,518
Recreation and parks	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	2,519,676
Local agencies and shared prog.	1,015,897	966,837	957,131	983,549	-	-	-	-	-	-
Interest on Long-Term Debt	108,803	141,665	170,211	209,088	242,768	285,532	283,950	371,805	327,287	406,453
Total	<u>12,340,804</u>	<u>13,432,775</u>	<u>13,533,910</u>	<u>17,849,661</u>	<u>15,674,963</u>	<u>15,914,873</u>	<u>14,518,078</u>	<u>17,335,984</u>	<u>15,309,243</u>	<u>14,525,881</u>
Program Revenues										
Charges for Services										
General government	-	-	-	-	306,870	-	-	2,156,793	2,060,967	-
Public safety	131,888	164,298	105,783	112,740	449,415	470,633	523,420	800	23,237	77,457
Planning and community dev.	29,818	24,540	13,705	16,115	-	-	-	-	-	-
Economic and physical dev.	-	-	-	-	15,212	15,805	16,810	-	-	-
Public services										
Transportation and other	14,250	16,500	8,250	15,750	-	-	-	-	-	-
Transportation and utilities	-	-	-	-	437,339	521,671	572,373	491,781	515,003	449,676
Environmental protection	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	1,769,362
Recreation and parks	848,576	886,189	936,923	909,600	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	904,876	1,025,485	1,135,797	132,923	159,531	144,088
Operating Grants and Contrib.	478,665	535,648	478,832	586,526	718,763	1,687,630	937,300	2,615,917	1,627,177	1,227,398
Capital Grants and Contributions	96,478	63,481	6,687,820	1,385,656	332,582	-	261,250	1,269,099	179,627	695,048
Total	<u>3,396,424</u>	<u>3,635,606</u>	<u>9,968,349</u>	<u>4,733,629</u>	<u>6,101,508</u>	<u>6,598,626</u>	<u>6,300,814</u>	<u>8,557,347</u>	<u>6,258,066</u>	<u>4,363,029</u>

Table 2

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

	Fiscal Year									
	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007	2006
Total Governmental Activities										
Net Program Expense	\$ (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)	\$ (10,162,852)
General Revenues and Other Changes in Net Position										
Taxes:										
Property taxes,										
levied for general purpose	\$ 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	\$ 5,059,207
Other taxes and licenses	117,026	275,929	186,542	404,224	988,795	1,077,211	957,720	1,198,375	1,157,166	871,540
Unrestricted Grants and Contrib.										
Local option sales tax	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	2,280,608
Other	1,110,280	918,778	899,158	898,516	-	-	-	-	-	15,606
Investment earnings, unrestricted	6,933	8,858	5,259	5,974	10,524	10,777	73,336	190,901	166,086	87,432
Sale of capital assets	160	14,842	-	-	-	-	-	638,280	-	-
Miscellaneous, unrestricted	210,202	63,719	163,149	149,921	204,424	150,800	94,999	130,237	39,218	1,276,304
Transfers	736,390	735,748	892,200	1,264,596	(89,222)	246,637	(7,660)	(482,577)	79,928	961,309
Total	<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>	<u>10,552,006</u>
Total Governmental Activities										
Change in Net Position	<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>	<u>\$ 389,154</u>

Table 2

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

	Fiscal Year									
	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008	2007	2006
Business-type Activities										
Expenses										
Water, Sewer, and Regional Water System	\$ 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	\$ 8,632,687
Revenues										
Charges for Services	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	10,446,566
Capital Grants and Contributions	448,481	383,429	308,044	965,529	1,198,775	-	-	-	-	2,174,464
Total	<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>	<u>12,621,030</u>
Total Business-type Activities Net Program Expenses	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	3,988,343
Other Changes in Net Position										
Miscellaneous, unrestricted	252,236	315,044	314,866	579,747	357,728	704,649	620,231	315,387	294,887	422,928
Extraordinary events	-	(8,190,590)	-	-	-	-	-	-	-	-
Transfers	(736,390)	(735,748)	(892,200)	(1,264,596)	89,222	(246,637)	7,660	-	-	(961,309)
Total	<u>(484,154)</u>	<u>(420,704)</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>	<u>(538,381)</u>
Total Business-type Activities Change in Net Position	<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>	<u>\$ 3,449,962</u>
Total Primary Government										
Changes in Net Position	<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>	<u>\$ 3,839,116</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Restricted	\$ 2,125,038	\$ 2,129,484	\$ 1,973,653	\$ 2,510,980	\$ 2,454,942	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	345,000	325,000	153,000	259,600	175,008	-	-	-	-	-
Unassigned	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	2,157,749
Unreserved	-	-	-	-	-	1,952,743	2,073,596	2,243,368	1,232,149	808,870
Total General Fund	<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>	<u>\$ 2,966,619</u>
All other Governmental Funds										
Nonspendable	\$ 431,085	\$ 431,012	\$ 430,970	\$ 430,965	\$ 430,210	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	137,811	136,859	139,714	81,606	96,032	-	-	-	-	-
Assigned	186,967	170,564	158,168	302,826	204,805	-	-	-	-	-
Unassigned	-	(4,356)	-	-	(27,906)	-	-	-	-	-
Reserved	-	-	-	-	-	430,210	429,610	419,112	407,352	391,548
Unreserved, reported in:										
Capital Projects Funds	-	-	-	-	-	249,212	(31,104)	209,647	185,434	258,752
Special Revenue Funds	-	-	-	-	-	58,983	64,607	96,434	125,157	99,827
Total All Other Governmental Funds	<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>	<u>\$ 750,127</u>
Total for All Governmental Funds	<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>	<u>\$ 3,716,746</u>

Notes

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

Table 4

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Ad valorem taxes	\$ 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	\$ 5,002,610
Other taxes and licenses	117,026	275,929	186,542	404,224	2,496,141	2,328,959	2,482,544	2,654,438	2,251,029	2,429,011
Unrestricted intergovernmental	3,878,056	3,375,776	3,292,048	3,253,999	977,123	942,297	1,000,133	931,360	773,610	724,941
Restricted intergovernmental	574,195	589,000	464,060	1,858,484	1,019,041	1,648,073	507,059	572,888	527,811	557,016
Permits and fees	131,888	164,298	105,783	112,740	92,333	101,619	106,870	121,606	239,282	237,976
Sales and services	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	3,373,200
Investment earnings	6,933	8,858	5,024	5,974	10,524	10,777	70,107	181,623	154,968	109,763
Miscellaneous	213,806	88,690	177,921	153,051	500,645	496,282	492,953	2,173,266	1,012,085	696,676
Total Revenues	<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>	<u>13,131,193</u>
Expenditures										
General government	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	1,640,613
Public safety	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	5,165,341
Planning and community dev.	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	86,644
Code Compliance	-	-	-	-	170,385	130,751	-	-	-	-
Public services										
Transportation and other	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	1,900,408
Cemetery	-	-	-	-	69,545	125,267	-	-	-	-
Environmental protection	809,958	853,437	794,968	837,848	791,878	674,421	900,958	998,673	974,812	959,435
Recreation and parks	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	2,510,555
Non-departmental										
Donation to local agencies	1,015,897	966,837	957,131	983,549	664,791	694,316	-	-	-	-
General Non-departmental	351,484	420,680	402,230	463,478	430,086	337,704	42,404	30,019	35,079	35,501
Debt Service:										
Principal	647,016	647,016	647,016	654,265	764,141	745,148	704,857	794,491	784,413	741,986
Interest	110,412	141,781	172,782	211,659	226,004	285,532	304,665	371,805	355,836	406,453
Lease purchases	52,136	53,612	71,280	79,401	-	-	-	-	-	-
Total Expenditures	<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>	<u>13,446,936</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Excess (Deficiency) of										
Revenues Over Expenditures	\$ 779,610	\$ 307,374	\$ (583,761)	\$ (760,126)	\$ 10,872	\$ 191,739	\$ (490,344)	\$ 1,486,855	\$ 378,152	\$ (315,743)
Other Financing Sources (Uses)										
Transfer from other funds	856,382	788,072	914,707	1,391,353	298,423	460,723	159,244	111,995	192,336	1,198,626
Transfers to other funds	(119,992)	(52,324)	(14,199)	(125,257)	(327,186)	(182,086)	(355,301)	(634,608)	(260,244)	(135,191)
Installment Financing	149,712	-	-	-	98,131	-	72,979	118,620	79,886	-
Total Other Financing Sources and Uses	886,102	735,748	900,508	1,266,096	69,368	278,637	(123,078)	(403,993)	11,978	1,063,435
Net Change in Fund Balance	<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>	<u>\$ 747,692</u>
Total Expenditures	\$ 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	(334,788)	(214,352)	(248,376)	(1,360,687)	(671,528)	(1,013,764)	(3,738,856)			
Total Noncapital Expenditures	<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	6.41%	6.34%	6.85%	7.11%	7.09%	7.33%	9.04%	8.45%	8.46%	14.68%

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
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
2006	592,080,970	164,082,831	10,326,441	745,837,360	0.6700

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>City of</u>		<u>Vance County</u>		<u>Total</u>
	<u>Henderson</u>				
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
2006	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.

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Components of the Total Direct Rate</u>			<u>Total Direct Rate</u>
	<u>General Fund</u>	<u>Public Library</u>		
		<u>Fund</u>		
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
2006	0.6300		0.0400	0.6700

Table 7

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

Taxpayer	2015			2006		
	Taxable Assessed	Rank	Percentage of	Taxable Assessed	Rank	Percentage of
	Value		Total Taxable	Value		Total Taxable
DLP Maria Parham Medical Center	\$ 71,888,632	1	7.34%	\$		
Progress Energy Carolinas	16,167,380	2	1.65%			
Wal-Mart Real Estate Bus. Trust	13,197,810	3	1.35%	12,028,401	2	1.61%
Carolina Telephone	12,223,102	4	1.25%	8,518,294	3	1.14%
WW Properties & Rentals LLC	11,657,861	5	1.19%	6,614,961	7	0.89%
Pacific Coast Feather Co.	11,248,365	6	1.15%			
Ruin Creek Properties	10,717,035	7	1.09%			
Libby Henderson Enterprises LLC	8,286,996	8	0.85%			
Rosemyr Corporation	7,344,095	9	0.75%	6,485,825	8	0.87%
Henderson Country Club Inc.	5,996,801	10	0.61%	4,771,100	10	0.64%
Royal Home Fashions				15,327,566	1	2.06%
Carolina Power & Light				7,801,510	4	1.05%
Galileo Henderson, LP				7,075,510	5	0.95%
Lowes of Henderson				7,027,951	6	0.94%
Henderson Mall Limited				5,451,579	9	0.73%
	<u>\$ 168,728,077</u>		<u>17.22%</u>	<u>\$ 81,102,697</u>		<u>10.87%</u>

Note:

Above taxable assessed valuations are as of January 1, 2014 and 2005 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2015 and 2006 respectively.

Source:

Vance County Tax Office and 2005 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
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				
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	Debt Per Capita		
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%	-	-
2005	-	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%	\$ -
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%	-

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

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value \$ 979,665,803

Debt Limit - Eight Percent (8%) of Assessed Value 78,373,264

Amount of Debt Applicable to Debt Limit

Lease financing agreements \$ 1,771,121

Revolving Loan -

Total Debt \$ 1,771,121

Less - Statutory Deductions - 1,771,121

Legal Debt Margin \$ 76,602,143

	<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>	<u>2006</u>
Debt Limit	\$ 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	\$ 59,666,989
Total Net Debt										
Applicable to Limit	<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>	<u>(6,857,665)</u>
Legal Debt Margin	<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>	<u>\$ 52,809,324</u>
Total Net Debt										
Applicable to the Limit as a Percentage of Debt Limit	2.26%	2.87%	3.81%	5.15%	6.34%	6.29%	8.16%	10.23%	11.32%	11.49%

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

Fiscal Year		(Vance County) Per				Public School
Ended	Population	Capita Income	Personal	Unemployment	Total Labor	Enrollment
June 30,	Estimated (1)	(2)	Income	Rate (3)	Force (3)	(ADM) (4)
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
2005	15,999	\$24,797	\$396,727,203	7.60%	18,496	8,157

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 Five Years Ago

Employer	2015		2010	
	Employment Range	Rank	Employment Range	Rank
Vance County Schools	500-999	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
Xerox State Healthcare LLC	250-499	5		
County of Vance	250-499	6		
Vance-Granville Community College	250-499	7		
Pacific Coast Feather Company	250-499	8	500-999	4
Food Lion	250-499	9		
City of Henderson	250-499	10	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

	FY									
	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
General government	20	22	22	20	20	21	18	13	12	13
Public safety	102	99	102	102	101	105	95	95	95	94
Transportation and utilities	19	17	17	16	20	20	20	19	18	18
Environmental protection	31	29	28	22	18	8	5	5	5	5
Cultural and recreation	17	16	14	15	15	15	15	17	15	14
Code compliance	2	3	3	3	2	2	2	2	2	-
Planning and community development	4	3	3	2	2	2	3	3	3	-
Development services	-	-	-	-	-	-	-	-	-	4
	<u>195</u>	<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>
Water Fund										
Engineering	5	4	4	3	3	3	3	4	4	4
Customer Service	-	-	-	-	-	-	-	10	10	10
Water distribution	<u>14</u>	<u>15</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>10</u>	<u>10</u>	<u>11</u>
	19	19	18	16	16	18	18	24	24	25
Sewer Fund										
Water reclamation facility	23	21	21	21	21	21	21	21	21	21
Sewer Collection	7	7	6	6	5	5	5	5	5	5
Sewer Collection I&I	-	-	<u>3</u>							
	30	28	30	30	29	29	29	29	29	29
Regional Water System Fund	12	11	11	11	10	11	11	12	13	13
	<u>256</u>	<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>

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, 2015, 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 16, 2015.

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 16, 2015



William L. Stark and Company
Certified Public Accountants

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

To the City Council
City of Henderson, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Henderson's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Henderson's major federal programs for the year ended June 30, 2015. The City of Henderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Henderson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 16, 2015

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? Yes X No

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

Section V. Summary of Prior Year Audit Findings

None reported.

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Bureau of Justice Assistance				
Passed through N.C. Dept. of Public Safety				
Bulletproof Vest Partnership Program	16.607	2013 BUBX13066349	\$ 374	\$ -
Bulletproof Vest Partnership Program	16.607	2014 BUBX14070762	1,870	-
Edward Bryne Memorial Justice Assistance Grant Program	16.607	2014-DJ-BX-0634	16,935	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	PROJ010197	23,750	-
<u>U.S. Department of Transportation</u>				
Federal Highway Administration				
Passed through N.C. Dept. of Transportation:				
Highway Planning and Construction	20.205	41065.1.1	41,900	-
Highway Planning and Construction	20.205	41065.2.1	4,435	-
National Highway Traffic Safety Administration				
Passed through N.C. Dept. of Transportation:				
State and Community Highway Safety	20.600	PT-2014-03-52	7,214	-
<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	4,550,600	-
Clean Water State Revolving Funds	66.458	CS-370410-07	678,306	-
Clean Water State Revolving Funds	66.458	CS-370410-08	142,810	-
Drinking Water State Revolving Funds	66.468	FS-984338.13	604,542	-
Drinking Water State Revolving Funds	66.468	FS-984338.XX	945,642	-
Total Federal Awards			<u>7,018,378</u>	<u>-</u>

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4: 32570	\$ -	\$ 343,019
Total State Awards			<u>-</u>	<u>343,019</u>
Total Federal and State Awards			<u>\$ 7,018,378</u>	<u>\$ 343,019</u>

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

1 Basis of Presentation

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

2 Loans Outstanding

City of Henderson had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds			
Clean Water	66.458	CS-370410-06	\$ 15,873,436
Clean Water	66.458	CS-370410-07	536,236
Clean Water	66.458	CS-370410-08	142,810
Drinking Water	66.468	FS-984338.13	1,759,086
Drinking Water	66.468	FS-984338.XX	945,642