

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF HENDERSON
HENDERSON, NORTH CAROLINA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by the City of Henderson Finance Department

Finance Director
Katherine Brafford

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Introductory Section



November 13, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Henderson, for the fiscal year ended June 30, 2014. 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, 2014, 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, 2014 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.

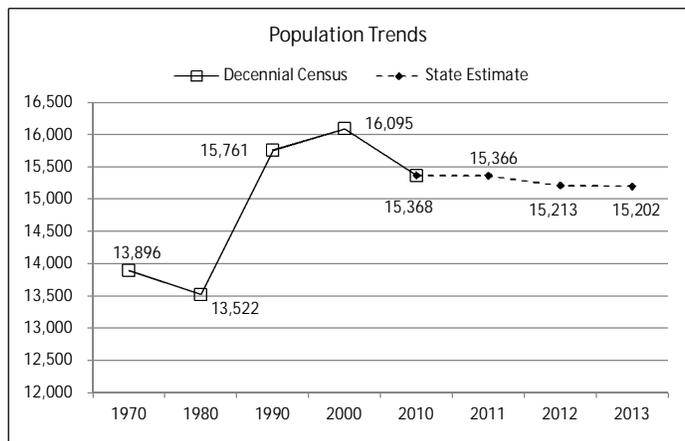
The City Council also appoints the City Attorney and City Clerk. The City Attorney serves at the pleasure of the Council and provides legal advice and guidance to the Council, prepares ordinances and defends the City as appropriate should litigation arise. The City Clerk serves as the official *Keeper 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.

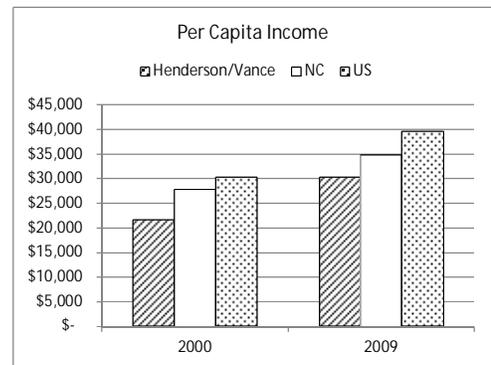
Economic Conditions and Outlook

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 in improve per capita income and overall economic well-being of the city by many organizations including City of Henderson, Henderson/Vance Economic Development Commission, Embassy Cultural Foundation, Henderson/Vance Downtown Development Commission, Redevelopment Commission, and Henderson/Vance Chamber of Commerce.

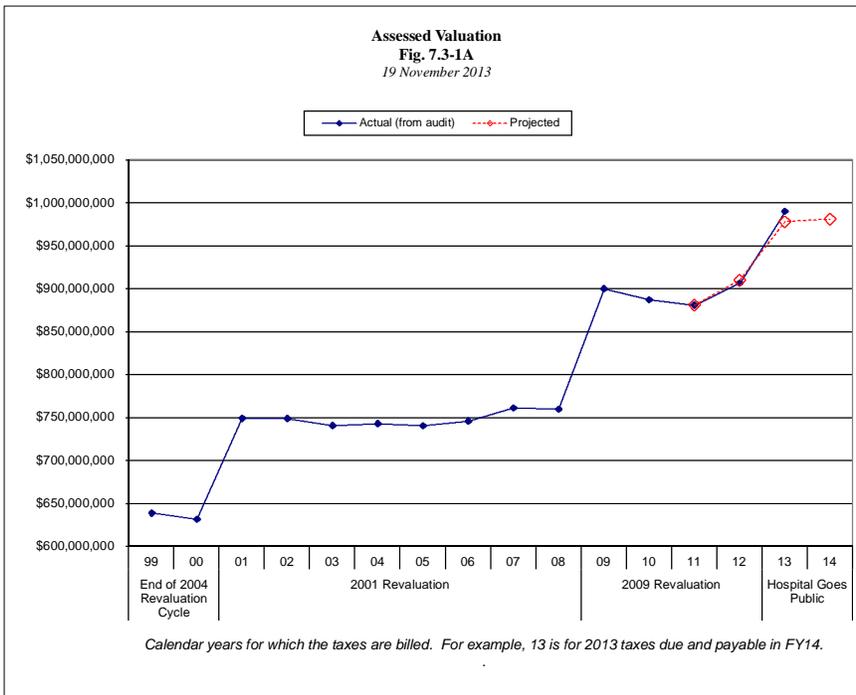


The Embassy Cultural Foundation broke ground in December 2013 for the next phase of the Embassy Square project. This phase will provide for a 1,000 seat performing arts center and is being funded through private funds. Additionally, Henderson is actively pursuing a rail passenger station. The Southeast High Speed Rail line will be built along the rail right-of-way bisecting Henderson. Planning for this major transportation initiative anticipates 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.

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

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

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



Revenues for the fiscal year ending 30 June 2014 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.

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

recurring expenses. There was good growth in the unassigned this past year, with the year ending balance increasing to \$3,676,351, or 27.5% of General Fund expenditures.

Major Initiatives

The City's fiscal year ending June 30, 2014 closed with numerous accomplishments and a variety of projects and programs well underway. Each of these initiatives, in one form or another, is designed to improve and expand the City's capabilities for serving its residents and customers.

- i Growth in the General Fund's unassigned fund balance to \$3,676,351.
- i Significant contributions made to water and sanitary sewer rate stabilization funds.

For the Future

The FY14-15 Annual Operating and Capital Budget was approved by City Council on 11 June 2014. The FY15 Budget, inclusive of all funds, is \$36,973,400. The new budget increased the City water rate by 3.5%, the sanitary sewer rate by 3% and the Regional water rate by 4%. The FY14-15 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 2013 Report.

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

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

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

Respectfully submitted,

Katherine C. Brafford
Finance Director

ORGANIZATION CHART

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

City Attorney
 John H. Zollicoffer, Jr.

City Clerk
 Esther J. McCrackin

City Manager
 A. Ray Griffin, Jr.

Executive Assistant
 Patricia Pearson

Assistant City Manager
 Frank Frazier

Finance
 Kathy Brafford

Budget
 Rev Collection
 Customer Service
 Cash Management
 Payroll
 Accounting
 Business License

Human Resources
 Cathy Brown

Recruitment
 Orientation
 Evaluation
 Employee Relations
 Benefits Adm.
 Risk Management

Police
 Marcus Barrow

Administration
 Patrol
 Drug Enforce.
 Community Watch
 Partnerships

Code Compliance
 Corey Williams

Code Enforcement
 Minimum Housing
 Abandoned Structures

Planning & C.D.
 Erris Dunston

Long/Short
 Range Planning
 CDBG Housing
 Main Street

Water Reclamation
 Tom Spain

Treatment
 Testing
 Monitoring
 I&I

Engineering
 Pete Sokalski

Surveying
 Mapping
 Construction
 Mgmt/Eng
 Services
 Public Buildings

Special Projects
(vacant)

Recreation & Parks
 Alan Gill

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

Fire
 Danny Wilkerson

Suppression
 Rescue
 Training
 Fire Prevention
 Inspection

Water Distribution & Sewer Collection
 Andy Perkinson

Distribution
 Collection
 Training
 I&I
 Meter Reading

Regional Water
 Christy Lipscomb

Treatment
 Testing
 Monitoring

Public Services
(vacant)

Fleet Maintenance
 Street Sanitation
 Cemetery
 Sanitation & Recycling

Mayor and Members of City Council

James D. O'Geary
Mayor

Members of City Council

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

A. Ray Griffin, Jr.
City Manager

John H. Zollicoffer, Jr.
City Attorney

Katherine C. Brafford
Finance Director

Esther J. McCrackin
City Clerk

Franklin W. Frazier
Assistant City Manager



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, 2013

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 4 through 14 and 59 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

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 November 13, 2014 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

November 13, 2014



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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- i The assets and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$91,422,638 (*net position*).
- i The government's total net position decreased by \$3,451,260, primarily due to recognition of an extraordinary event in business-type activities. This extraordinary event was due to the write-off of the balance remaining on a note receivable for water reservation fees in the amount of \$6,337,174 and the accrual of a contingent liability in the form of a refund payable for a portion of water reservation fees previously received in the amount of \$1,853,416. More detail on this extraordinary event can be found in Notes II.A.4 and II.B.5.
- i As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$6,864,914 with a net change of \$1,043,122 in fund balance. Approximately 39 percent of this total amount, or \$2,697,355, is non spendable or restricted.
- i At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,671,351 or 27.5 percent of total general fund expenditures for the fiscal year.
- i The City of Henderson's total recorded debt increased by \$8,830,463 (51.2%) 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.

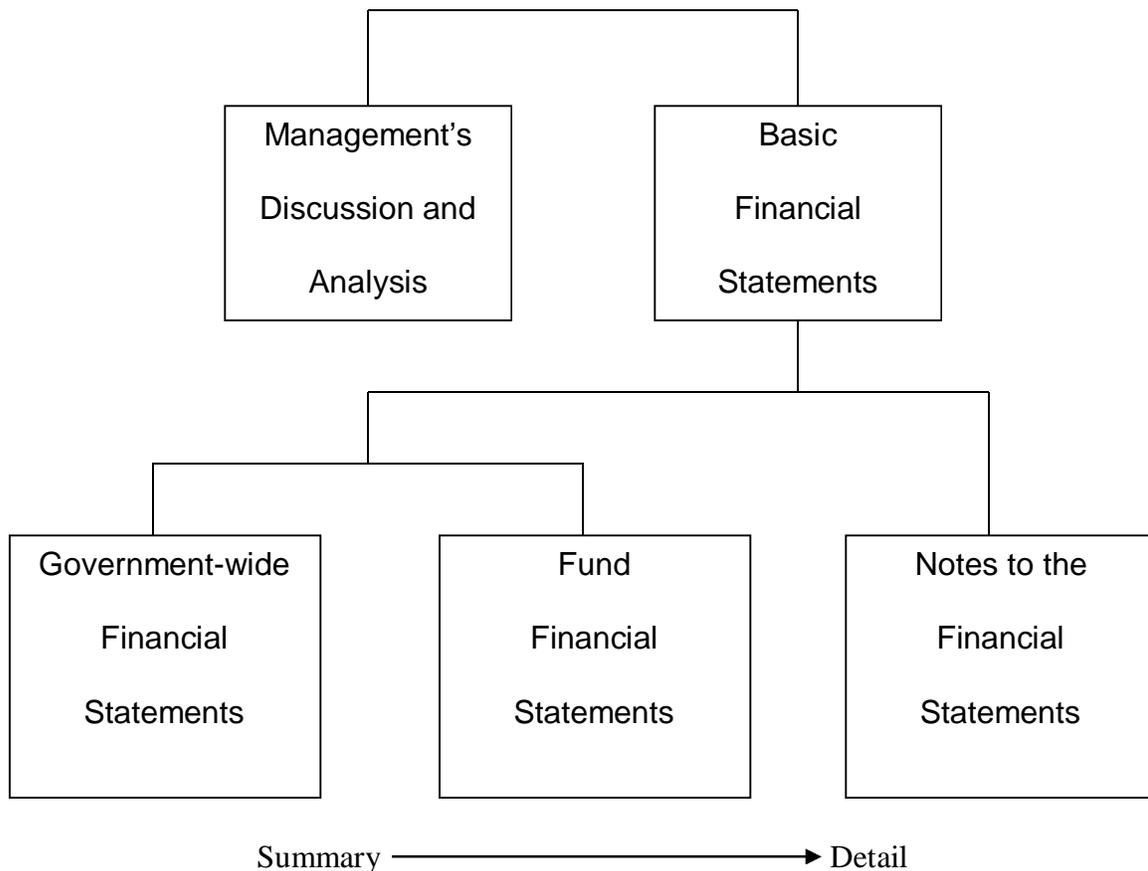
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Henderson's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the

basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Henderson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental**

information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Henderson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Henderson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis
City of Henderson

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Henderson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 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 | |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 8,235,465 | \$ 7,273,491 | \$ 20,047,350 | \$ 22,399,346 | \$ 28,282,815 | \$ 29,672,837 |
| Capital assets | 18,426,857 | 18,873,348 | 80,813,131 | 68,605,854 | 99,239,988 | 87,479,202 |
| Deferred outflows of resources | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | 26,662,322 | 26,146,839 | 100,860,481 | 91,005,200 | 127,522,803 | 117,152,039 |
| Long-term liabilities outstanding | 6,056,631 | 6,563,094 | 25,016,327 | 13,323,036 | 31,072,958 | 19,886,130 |
| Other liabilities | 773,492 | 700,872 | 4,252,881 | 1,968,023 | 5,026,373 | 2,668,895 |
| Deferred inflows of resources | 834 | 21,436 | - | - | 834 | 21,436 |
| Total liabilities and deferred inflows of resources | 6,830,957 | 7,285,402 | 29,269,208 | 15,291,059 | 36,100,165 | 22,576,461 |
| Net position: | | | | | | |
| Net investment in capital assets | 16,107,257 | 15,855,575 | 57,062,814 | 56,461,187 | 73,170,071 | 72,316,762 |
| Restricted | 2,697,355 | 2,544,337 | - | - | 2,697,355 | 2,544,337 |
| Unrestricted | 1,026,753 | 461,525 | 14,528,459 | 19,252,954 | 15,555,212 | 19,714,479 |
| Total net position | \$ 19,831,365 | \$ 18,861,437 | \$ 71,591,273 | \$ 75,714,141 | \$ 91,422,638 | \$ 94,575,578 |

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 \$91,422,638 as of June 30, 2014. After incorporating a \$298,320 prior period adjustment, the City's net position decreased by \$3,451,260 from the fiscal year ended June 30, 2013. The largest portion (80%) 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, \$2,697,355, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,555,212 is unrestricted.

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

- i Achieving a tax collection percentage of 95.89%, an increase of 2.30% over the prior year's percentage of 93.59%.

City of Henderson's Changes in Net Position

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,036,477 | \$ 2,801,697 | \$ 14,775,363 | \$ 16,324,276 | \$ 17,811,840 | \$ 19,125,973 |
| Operating grants and contributions | 535,648 | 478,832 | - | - | 535,648 | 478,832 |
| Capital grants and contributions | 63,481 | 6,687,820 | 383,429 | 308,044 | 446,910 | 6,995,864 |
| General revenues: | | | | | | |
| Property taxes | 6,292,225 | 5,835,556 | - | - | 6,292,225 | 5,835,556 |
| Other taxes | 275,929 | 186,542 | - | - | 275,929 | 186,542 |
| Grants and contributions not restricted to specific programs | 3,375,776 | 3,292,048 | - | - | 3,375,776 | 3,292,048 |
| Other | 87,419 | 168,408 | 315,044 | 314,866 | 402,463 | 483,274 |
| Total revenues | 13,666,955 | 19,450,903 | 15,473,836 | 16,947,186 | 29,140,791 | 36,398,089 |
| Expenses: | | | | | | |
| General government | 1,682,775 | 1,722,160 | - | - | 1,682,775 | 1,722,160 |
| Public safety | 6,343,595 | 6,543,946 | - | - | 6,343,595 | 6,543,946 |
| Planning and community development | 376,614 | 362,099 | - | - | 376,614 | 362,099 |
| Transportation and other | 1,584,661 | 1,451,033 | - | - | 1,584,661 | 1,451,033 |
| Environmental protection | 884,873 | 830,317 | - | - | 884,873 | 830,317 |
| Recreation and parks | 1,451,755 | 1,497,013 | - | - | 1,451,755 | 1,497,013 |
| Local agencies and shared programs | 966,837 | 957,131 | - | - | 966,837 | 957,131 |
| Interest on long-term debt | 141,665 | 170,211 | - | - | 141,665 | 170,211 |
| Water | - | - | 4,893,999 | 4,787,266 | 4,893,999 | 4,787,266 |
| Sewer | - | - | 3,485,847 | 3,296,455 | 3,485,847 | 3,296,455 |
| Regional Water System | - | - | 2,588,840 | 2,645,461 | 2,588,840 | 2,645,461 |
| Total expenses | 13,432,775 | 13,533,910 | 10,968,686 | 10,729,182 | 24,401,461 | 24,263,092 |
| Increase (decrease) in net position before transfers | 234,180 | 5,916,993 | 4,505,150 | 6,218,004 | 4,739,330 | 12,134,997 |
| Transfers | 735,748 | 892,200 | (735,748) | (892,200) | - | - |
| Extraordinary event: loss on settlement | - | - | (8,190,590) | - | (8,190,590) | - |
| Increase (decrease) in net position | 969,928 | 6,809,193 | (4,421,188) | 5,325,804 | (3,451,260) | 12,134,997 |
| Net position, July 1 | 18,861,437 | 12,052,244 | 75,714,141 | 70,388,337 | 94,575,578 | 82,440,581 |
| Prior period adjustment | - | - | 298,320 | - | 298,320 | - |
| Net assets, July 1 (Restated) | 18,861,437 | 12,052,244 | 76,012,461 | 70,388,337 | 94,873,898 | 82,440,581 |
| Net position, June 30 | \$ 19,831,365 | \$ 18,861,437 | \$ 71,591,273 | \$ 75,714,141 | \$ 91,422,638 | \$ 94,575,578 |

Governmental activities. Governmental activities increased the City's net position by \$969,928. Key elements of this increase are as follows:

- i Conservative spending on the part of City departments
- i Tax increase of 3.5 cents per \$100 valuation
- i Sanitation fee increase of \$2.00 per month

Business-type activities. Business-type activities decreased the City of Henderson's net position by \$4,421,188. Key elements of this decrease are as follows:

- i Recognition of extraordinary event: loss on settlement and termination of Granville County water reservation agreement. As mentioned under the second bullet in the Financial Highlights on page 4 of this report, this extraordinary event was due to the write-off of the balance remaining on a note receivable for water reservation fees in the amount of \$6,337,174 and the accrual of a contingent liability in the form of a refund payable for a portion of water reservation fees previously received in the amount of \$1,853,416. More detail on this extraordinary event can be found in Notes II.A.4, II.B.5 and II.F.

- i A prior period adjustment in the net amount of \$298,320. This adjustment is the result of recognizing previously unrecognized long-term liabilities in the Water and Regional Water System Funds, along with recognition of an intangible asset acquired in consideration for one of those unrecognized liabilities. The City entered into a Water System Management Agreement with Warren County on October 2, 2000. As part of that contract, the City was to reimburse Warren County for their annual debt payments incurred to construct water distribution lines. The annual reimbursement has been consistently made since that time; however, the liability was never entered on the City's financial statements. Additionally, the City entered into a Water Storage Agreement with the United States of America on May 30, 1974. That contract was amended on March 17, 2006. Annual payments to the US Army Corps of Engineers have been made ever since the contract was first entered into; however, the intangible asset for the water storage rights and the liability for the annual payments were never recorded on the City's financial statements. Both of these items have been corrected as a prior period adjustment. Additional information on the prior period adjustment can be found in Note II.E.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Henderson's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Henderson's financing requirements.

The general fund is the chief operating fund of the City of Henderson. At the end of the current fiscal year, City of Henderson's fund balance available in the General Fund was \$4,865,920, while total fund balance reached \$6,130,835. 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, 2014 the unassigned fund balance is 27.56% of prior year expenditures. Per the calculation used by the LGC, the City's fund balance is 36.48% 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.

Management Discussion and Analysis
City of Henderson

At June 30, 2014, the governmental funds of City of Henderson reported a combined fund balance of \$6,864,914 with a net increase in fund balance of \$1,043,122, 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 \$772,530. Expenditures were less than budget by \$1,016,886 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 \$6,415,079 at the end of the fiscal year; the Sewer Fund amounted to \$2,789,843; and the Regional Water System Fund amounted to \$5,323,537. The total change in net position from current year activity for the Water, Sewer and Regional Water System Funds was \$(6,730,373), \$987,381, and \$1,321,804 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, 2014, totals \$99,239,987 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- i Construction in progress for Water Fund capital assets of \$1,519,465
- i Construction in progress for Sewer Fund capital assets of \$13,370,373, primarily due to the renovation of the Water Reclamation Facility
- i Construction in progress for regional water fund capital assets of \$1,974,022.

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

Figure 4

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | (As Restated) | | (As Restated) |
| 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 | 15,545,717 | 15,929,383 | 16,794,584 | 17,400,355 | 32,340,301 | 33,329,738 |
| Distribution Systems | 570,317 | 627,359 | - | - | 570,317 | 627,359 |
| Equipment & Vehicles | - | - | 42,043,538 | 42,918,227 | 42,043,538 | 42,918,227 |
| Construction in progress | 454,141 | 492,219 | 658,444 | 542,420 | 1,112,585 | 1,034,639 |
| Water Storage Rights | 341,499 | 309,204 | 16,863,860 | 5,667,484 | 17,205,359 | 5,976,688 |
| | - | - | 2,375,336 | 2,375,336 | 2,375,336 | 2,375,336 |
| Total | \$ 18,426,857 | \$ 18,873,348 | \$ 80,813,130 | \$ 70,981,190 | \$ 99,239,987 | \$ 89,854,538 |

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, 2014, the City of Henderson had total debt outstanding of \$26,069,918, 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 | |
|--------------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | (As Restated) | | (As Restated) |
| Installment Loans | \$ 2,279,032 | \$ 2,926,048 | \$ 17,919,573 | \$ 7,434,079 | \$ 20,198,605 | \$ 10,360,127 |
| Capital Leases | 40,568 | 91,725 | 233,745 | 328,603 | 274,313 | 420,328 |
| Revenue bonds (private placement) | - | - | 5,597,000 | 6,459,000 | 5,597,000 | 6,459,000 |
| Total | \$ 2,319,600 | \$ 3,017,773 | \$ 23,750,318 | \$ 14,221,682 | \$ 26,069,918 | \$ 17,239,455 |

City of Henderson's Outstanding Debt

The City of Henderson's total recorded debt increased by \$8,830,463 (51.2%) 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 \$73,854,152.

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

Economic Factors and Next Year's Budgets and Rates

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

- i The City's population declined in the 2010 Decennial Census and there is minimal growth expected in the utility customer base. This leaves few financial resources available for needed operations and capital support, thus the dependence on rate and fee increases.
- i The City's unemployment rate of approximately 9.4%, down approximately 2.2% from the previous year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

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.

Management Discussion and Analysis
City of Henderson

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 very limited capital expenditures for the General Fund during FY 2015.

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.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Finance Director Katherine C. Brafford, City of Henderson, 134 Rose Avenue, Henderson, NC 27536. One can also call (252) 430-5700 or visit our website at www.ci.henderson.nc.us for more information.

CITY OF HENDERSON, NORTH CAROLINA
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 5,810,369 | \$ 13,491,370 | \$ 19,301,739 |
| Property taxes receivable, net | 497,842 | - | 497,842 |
| Accrued interest receivable on taxes | 107,433 | - | 107,433 |
| Accounts receivable, net | 386,102 | 4,474,304 | 4,860,406 |
| Due from other governments | 886,227 | - | 886,227 |
| Inventories | - | 39,206 | 39,206 |
| Current portion of notes receivable | - | 43,750 | 43,750 |
| Restricted cash and cash equivalents | <u>547,492</u> | <u>336,220</u> | <u>883,712</u> |
| Total current assets | 8,235,465 | 18,384,850 | 26,620,315 |
| Non-current assets | | | |
| Capital assets: | | | |
| Land, non-depreciable improvements, and construction in progress | 1,856,682 | 21,316,566 | 23,173,248 |
| Other capital assets, net of depreciation | <u>16,570,175</u> | <u>59,496,565</u> | <u>76,066,740</u> |
| Total capital assets | 18,426,857 | 80,813,131 | 99,239,988 |
| Notes receivable: | | | |
| Due in more than one year | <u>-</u> | <u>1,662,500</u> | <u>1,662,500</u> |
| Total non-current assets | <u>18,426,857</u> | <u>82,475,631</u> | <u>100,902,488</u> |
| Total assets | <u>26,662,322</u> | <u>100,860,481</u> | <u>127,522,803</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 764,442 | 1,994,605 | 2,759,047 |
| Contingent liability (Note II.B.5) | - | 1,853,416 | 1,853,416 |
| Accrued interest payable | 9,050 | 68,640 | 77,690 |
| Current portion of long-term liabilities | 827,219 | 1,977,669 | 2,804,888 |
| Payable from restricted assets | <u>-</u> | <u>336,220</u> | <u>336,220</u> |
| Total current liabilities | 1,600,711 | 6,230,550 | 7,831,261 |
| Long-term liabilities | | | |
| Due in more than one year | <u>5,229,412</u> | <u>23,038,658</u> | <u>28,268,070</u> |
| Total liabilities | <u>6,830,123</u> | <u>29,269,208</u> | <u>36,099,331</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | <u>834</u> | <u>-</u> | <u>834</u> |
| NET POSITION | | | |
| Net investment in capital assets | 16,107,257 | 57,062,814 | 73,170,071 |
| Restricted | | | |
| Perpetual maintenance | 431,012 | - | 431,012 |
| Stabilization by State Statute | 1,264,915 | - | 1,264,915 |
| Public Safety | 454,050 | - | 454,050 |
| Streets - Powell Bill | 440,319 | - | 440,319 |
| Planning and Community Development | 34,799 | - | 34,799 |
| Capital Reserves | 72,260 | - | 72,260 |
| Unrestricted | <u>1,026,753</u> | <u>14,528,459</u> | <u>15,555,212</u> |
| Total net position | <u>\$ 19,831,365</u> | <u>\$ 71,591,273</u> | <u>\$ 91,422,638</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, 2014

| 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 | \$ 1,682,775 | \$ - | \$ - | \$ - | \$ (1,682,775) | \$ - | \$ (1,682,775) |
| Public safety | 6,343,595 | 164,298 | 2,500 | 57,406 | (6,119,391) | - | (6,119,391) |
| Planning and community development | 376,614 | 24,540 | 46,500 | 6,075 | (299,499) | - | (299,499) |
| Public services | | | | | | | |
| Transportation and other | 1,584,661 | 16,500 | 467,223 | - | (1,100,938) | - | (1,100,938) |
| Environmental protection | 884,873 | 1,944,950 | 9,296 | - | 1,069,373 | - | 1,069,373 |
| Recreation and parks | 1,451,755 | 886,189 | 10,129 | - | (555,437) | - | (555,437) |
| Local agencies and shared programs | 966,837 | - | - | - | (966,837) | - | (966,837) |
| Interest on long-term debt | <u>141,665</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(141,665)</u> | <u>-</u> | <u>(141,665)</u> |
| Total governmental activities | 13,432,775 | 3,036,477 | 535,648 | 63,481 | (9,797,169) | - | (9,797,169) |
| Business-type Activities: | | | | | | | |
| Water | 4,893,999 | 5,836,658 | - | - | - | 942,659 | 942,659 |
| Sewer | 3,485,847 | 4,717,110 | - | 383,429 | - | 1,614,692 | 1,614,692 |
| Regional Water System | <u>2,588,840</u> | <u>4,221,595</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,632,755</u> | <u>1,632,755</u> |
| Total business-type activities | <u>10,968,686</u> | <u>14,775,363</u> | <u>-</u> | <u>383,429</u> | <u>-</u> | <u>4,190,106</u> | <u>4,190,106</u> |
| Total primary government | <u>\$ 24,401,461</u> | <u>\$ 17,811,840</u> | <u>\$ 535,648</u> | <u>\$ 446,910</u> | <u>(9,797,169)</u> | <u>4,190,106</u> | <u>(5,607,063)</u> |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 6,292,225 | - | 6,292,225 |
| Other taxes | | | | | 275,929 | - | 275,929 |
| Grants and contributions not restricted to specific programs | | | | | 3,375,776 | - | 3,375,776 |
| Unrestricted investment earnings | | | | | 8,858 | 9,019 | 17,877 |
| Miscellaneous | | | | | 78,561 | 306,025 | 384,586 |
| Extraordinary event: Loss on settlement (Note II.B.5) | | | | | <u>-</u> | <u>(8,190,590)</u> | <u>(8,190,590)</u> |
| Total general revenues not including transfers | | | | | 10,031,349 | (7,875,546) | 2,155,803 |
| Transfers | | | | | <u>735,748</u> | <u>(735,748)</u> | <u>-</u> |
| Total general revenues and transfers | | | | | <u>10,767,097</u> | <u>(8,611,294)</u> | <u>2,155,803</u> |
| Change in net position | | | | | <u>969,928</u> | <u>(4,421,188)</u> | <u>(3,451,260)</u> |
| Net position, beginning | | | | | 18,861,437 | 75,714,141 | 94,575,578 |
| Prior period adjustment (Note II.E) | | | | | <u>-</u> | <u>298,320</u> | <u>298,320</u> |
| Total net position, as restated | | | | | <u>18,861,437</u> | <u>76,012,461</u> | <u>94,873,898</u> |
| Net position, ending | | | | | <u>\$ 19,831,365</u> | <u>\$ 71,591,273</u> | <u>\$ 91,422,638</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, 2014

| | <u>General Fund</u> | <u>Total Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,203,998 | \$ 606,371 | \$ 5,810,369 |
| Restricted cash and cash equivalents | 410,519 | 136,973 | 547,492 |
| Property tax receivable, net | 497,842 | - | 497,842 |
| Accounts receivable, net | 386,102 | - | 386,102 |
| Due from other governments | 878,813 | 7,414 | 886,227 |
| Total assets | <u>\$ 7,377,274</u> | <u>\$ 750,758</u> | <u>\$ 8,128,032</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | <u>\$ 747,763</u> | <u>\$ 16,679</u> | <u>\$ 764,442</u> |
| Total liabilities | <u>747,763</u> | <u>16,679</u> | <u>764,442</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 497,842 | - | 497,842 |
| Prepaid taxes | <u>834</u> | <u>-</u> | <u>834</u> |
| Total deferred inflows of resources | <u>498,676</u> | <u>-</u> | <u>498,676</u> |
| FUND BALANCES | | | |
| Non Spendable | | | |
| Perpetual maintenance | - | 431,012 | 431,012 |
| Restricted | | | |
| Stabilization by State Statute | 1,264,915 | - | 1,264,915 |
| Public Safety | 454,050 | - | 454,050 |
| Streets - Powell Bill | 410,519 | 29,800 | 440,319 |
| Planning and Community Development | - | 34,799 | 34,799 |
| Capital reserves | - | 72,260 | 72,260 |
| Assigned | | | |
| Special revenue funds | - | 3,103 | 3,103 |
| Capital project funds | - | 167,461 | 167,461 |
| Subsequent year's expenditures | 325,000 | - | 325,000 |
| Unassigned | <u>3,676,351</u> | <u>(4,356)</u> | <u>3,671,995</u> |
| Total fund balances | <u>6,130,835</u> | <u>734,079</u> | <u>6,864,914</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,377,274</u> | <u>\$ 750,758</u> | <u>\$ 8,128,032</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, 2014

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

| | | |
|--|----|---------------------|
| Total Fund Balance, Governmental Funds | \$ | 6,864,914 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ | 41,438,698 |
| Accumulated depreciation | | <u>(23,011,841)</u> |
| | | 18,426,857 |
| 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 | | 107,433 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | |
| Property taxes receivable | | 497,842 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| Long-term debt | | (2,319,601) |
| Compensated absences | | (396,405) |
| Net pension obligation | | (259,550) |
| Other postemployment benefits | | <u>(3,081,075)</u> |
| | | (6,056,631) |
| 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>(9,050)</u> |
| Net position of governmental funds | \$ | <u>19,831,365</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, 2014

| | <u>General Fund</u> | <u>Total Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|---|
| REVENUES | | | |
| Ad valorem taxes | \$ 6,427,962 | \$ - | \$ 6,427,962 |
| Other taxes and licenses | 275,929 | - | 275,929 |
| Unrestricted intergovernmental | 3,375,776 | - | 3,375,776 |
| Restricted intergovernmental | 479,019 | 109,981 | 589,000 |
| Permits and fees | 164,298 | - | 164,298 |
| Sales and services | 2,872,179 | - | 2,872,179 |
| Investment earnings | 8,809 | 49 | 8,858 |
| Miscellaneous | 88,578 | 112 | 88,690 |
| Total revenues | <u>13,692,550</u> | <u>110,142</u> | <u>13,802,692</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,126,489 | - | 1,126,489 |
| Public safety | 6,074,300 | 99,393 | 6,173,693 |
| Planning and community development | 303,983 | 57,096 | 361,079 |
| Public services | | | |
| Transportation and other | 1,450,639 | 750 | 1,451,389 |
| Environmental protection | 853,437 | - | 853,437 |
| Recreation and parks | 1,299,305 | - | 1,299,305 |
| Non-departmental | | | |
| Local agencies and shared programs | 966,837 | - | 966,837 |
| General non-departmental | 420,680 | - | 420,680 |
| Debt service: | | | |
| Principal | 647,016 | - | 647,016 |
| Interest and other charges | 141,781 | - | 141,781 |
| Lease purchases | 53,612 | - | 53,612 |
| Total expenditures | <u>13,338,079</u> | <u>157,239</u> | <u>13,495,318</u> |
| Excess (deficiency) of revenues over expenditures | <u>354,471</u> | <u>(47,097)</u> | <u>307,374</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 735,748 | 52,324 | 788,072 |
| Transfers (to) other funds | <u>(52,324)</u> | <u>-</u> | <u>(52,324)</u> |
| Total other financing sources (uses) | <u>683,424</u> | <u>52,324</u> | <u>735,748</u> |
| Net change in fund balance | 1,037,895 | 5,227 | 1,043,122 |
| FUND BALANCES, beginning | <u>5,092,940</u> | <u>728,852</u> | <u>5,821,792</u> |
| FUND BALANCES, ending | <u>\$ 6,130,835</u> | <u>\$ 734,079</u> | <u>\$ 6,864,914</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, 2014

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

Net changes in fund balances - total governmental funds \$ 1,043,122

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.

| | | |
|--|------------------|-----------|
| Capital outlay expenditures which were capitalized | 214,352 | |
| Depreciation expense for governmental assets | <u>(660,844)</u> | (446,492) |

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

| | | |
|--|-----------------|-----------|
| Change in unavailable revenue for tax revenues | (118,184) | |
| Change in accrued interest on taxes receivable | <u>(17,553)</u> | (135,737) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these difference in the treatment of long-term debt and related items.

| | | |
|--------------------------------------|--------------|---------|
| Principal payments on long-term debt | 698,173 | |
| Change in accrued interest payable | <u>2,571</u> | 700,744 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|-------------------------------|------------------|------------------|
| Compensated absences | 39,484 | |
| Net pension obligation | 2,044 | |
| Other postemployment benefits | <u>(233,237)</u> | <u>(191,709)</u> |

Total adjustments (73,194)

Total changes in net position of governmental activities \$ 969,928

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, 2014

| | General Fund | | | Variance Positive (Negative) |
|--|----------------------------|-------------------------|---------------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 6,003,900 | \$ 6,003,900 | \$ 6,427,962 | \$ 424,062 |
| Other taxes and licenses | 209,000 | 209,000 | 275,929 | 66,929 |
| Unrestricted intergovernmental | 3,297,600 | 3,297,600 | 3,375,776 | 78,176 |
| Restricted intergovernmental | 457,900 | 457,900 | 479,019 | 21,119 |
| Permits and fees | 130,100 | 130,100 | 164,298 | 34,198 |
| Sales and services | 2,845,100 | 2,783,900 | 2,872,179 | 88,279 |
| Investment earnings | 4,100 | 4,100 | 8,809 | 4,709 |
| Miscellaneous | 24,500 | 33,520 | 88,578 | 55,058 |
| Total revenues | <u>12,972,200</u> | <u>12,920,020</u> | <u>13,692,550</u> | <u>772,530</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,202,200 | 1,211,150 | 1,126,489 | 84,661 |
| Public safety | 6,597,900 | 6,531,876 | 6,074,300 | 457,576 |
| Planning and community development | 373,700 | 365,680 | 303,983 | 61,697 |
| Public services | | | | |
| Transportation and other | 1,653,900 | 1,645,710 | 1,450,639 | 195,071 |
| Environmental protection | 891,500 | 888,630 | 853,437 | 35,193 |
| Recreation and parks | 1,449,400 | 1,379,060 | 1,299,305 | 79,755 |
| Non-departmental | | | | |
| Local agencies and shared programs | 993,800 | 1,018,800 | 966,837 | 51,963 |
| General non-departmental | 417,800 | 471,511 | 420,680 | 50,831 |
| Debt service: | | | | |
| Lease purchase payments | 53,700 | 53,700 | 53,612 | 88 |
| Principal | 729,700 | 647,017 | 647,016 | 1 |
| Interest and other charges | 156,700 | 141,831 | 141,781 | 50 |
| Total expenditures | <u>14,520,300</u> | <u>14,354,965</u> | <u>13,338,079</u> | <u>1,016,886</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,548,100)</u> | <u>(1,434,945)</u> | <u>354,471</u> | <u>1,789,416</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 989,100 | 891,548 | 735,748 | (155,800) |
| Transfers (to) other funds | - | (52,324) | (52,324) | - |
| Total other financing sources (uses) | <u>989,100</u> | <u>839,224</u> | <u>683,424</u> | <u>(155,800)</u> |
| Excess (deficiency) of revenues and other sources over expenditures | (559,000) | (595,721) | 1,037,895 | 1,633,616 |
| Fund balance appropriated | 559,000 | 595,721 | - | (595,721) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,037,895</u> | <u>\$ 1,037,895</u> |
| FUND BALANCES, beginning | | | <u>5,092,940</u> | |
| FUND BALANCES, ending | | | <u>\$ 6,130,835</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, 2014

| | Major Enterprise Funds | | | Total |
|--|-------------------------------|----------------------|-----------------------------------|----------------------|
| | Water Fund | Sewer Fund | Regional Water System Fund | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 6,091,583 | \$ 1,795,132 | \$ 5,604,655 | \$ 13,491,370 |
| Accounts receivable (net) | 924,736 | 3,405,840 | 143,728 | 4,474,304 |
| Inventories | - | 11,919 | 27,287 | 39,206 |
| Current portion of notes receivable | 43,750 | - | - | 43,750 |
| Restricted cash and cash equivalents | 336,220 | - | - | 336,220 |
| Total current assets | <u>7,396,289</u> | <u>5,212,891</u> | <u>5,775,670</u> | <u>18,384,850</u> |
| Non-current assets | | | | |
| Capital assets | | | | |
| Land, non-depreciable assets, and construction in progress | 3,230,026 | 13,581,510 | 4,505,030 | 21,316,566 |
| Other capital assets, net of depreciation | 16,296,141 | 23,792,120 | 19,408,304 | 59,496,565 |
| Total capital assets | <u>19,526,167</u> | <u>37,373,630</u> | <u>23,913,334</u> | <u>80,813,131</u> |
| Notes receivable | | | | |
| Due in more than one year | <u>1,662,500</u> | <u>-</u> | <u>-</u> | <u>1,662,500</u> |
| Total non-current assets | <u>21,188,667</u> | <u>37,373,630</u> | <u>23,913,334</u> | <u>82,475,631</u> |
| Total assets | <u>28,584,956</u> | <u>42,586,521</u> | <u>29,689,004</u> | <u>100,860,481</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 83,369 | 1,788,218 | 123,018 | 1,994,605 |
| Contingent liability | 1,853,416 | - | - | 1,853,416 |
| Accrued interest payable | 23,261 | 4,275 | 41,104 | 68,640 |
| Current portion of long-term liabilities | 984,859 | 266,226 | 726,584 | 1,977,669 |
| Liabilities payable from restricted assets | | | | |
| Customer/security deposits | <u>336,220</u> | <u>-</u> | <u>-</u> | <u>336,220</u> |
| Total current liabilities | <u>3,281,125</u> | <u>2,058,719</u> | <u>890,706</u> | <u>6,230,550</u> |
| Long-term liabilities | | | | |
| Other postemployment benefits | 311,918 | 584,309 | 268,490 | 1,164,717 |
| Compensated absences payable | 15,780 | 14,397 | - | 30,177 |
| Due in more than one year | <u>6,471,790</u> | <u>12,346,058</u> | <u>3,025,916</u> | <u>21,843,764</u> |
| Total long-term liabilities | <u>6,799,488</u> | <u>12,944,764</u> | <u>3,294,406</u> | <u>23,038,658</u> |
| Total liabilities | <u>10,080,613</u> | <u>15,003,483</u> | <u>4,185,112</u> | <u>29,269,208</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 12,089,264 | 24,793,195 | 20,180,355 | 57,062,814 |
| Unrestricted | <u>6,415,079</u> | <u>2,789,843</u> | <u>5,323,537</u> | <u>14,528,459</u> |
| Total net position | <u>\$ 18,504,343</u> | <u>\$ 27,583,038</u> | <u>\$ 25,503,892</u> | <u>\$ 71,591,273</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, 2014

| | Major Enterprise Funds | | | Total |
|---|-------------------------------|----------------------|-----------------------------------|----------------------|
| | Water Fund | Sewer Fund | Regional Water System Fund | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 5,779,188 | \$ 4,707,103 | \$ 4,209,096 | \$ 14,695,387 |
| Water reservation fees | 9,125 | - | - | 9,125 |
| Tap fees | 39,714 | 7,533 | - | 47,247 |
| Other operating revenues | 8,631 | 10,081 | 12,499 | 31,211 |
| Total operating revenues | <u>5,836,658</u> | <u>4,724,717</u> | <u>4,221,595</u> | <u>14,782,970</u> |
| OPERATING EXPENSES | | | | |
| Administration and engineering | 236,727 | - | - | 236,727 |
| Water distribution operations | 3,536,030 | - | - | 3,536,030 |
| Customer service | 446,998 | - | - | 446,998 |
| Water reclamation facility | - | 2,049,585 | - | 2,049,585 |
| Sewer collection operations | - | 340,408 | - | 340,408 |
| Sewer I & I operations | - | 156,342 | - | 156,342 |
| Regional water plant | - | - | 2,047,967 | 2,047,967 |
| Non-departmental | 91,516 | 145,989 | 24,230 | 261,735 |
| Depreciation | 414,145 | 752,905 | 477,880 | 1,644,930 |
| Total operating expenditures | <u>4,725,416</u> | <u>3,445,229</u> | <u>2,550,077</u> | <u>10,720,722</u> |
| Operating income (loss) | <u>1,111,242</u> | <u>1,279,488</u> | <u>1,671,518</u> | <u>4,062,248</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment earnings | 3,121 | 1,647 | 4,251 | 9,019 |
| Interest on water reservation notes | 89,979 | - | - | 89,979 |
| Sprint / T-Mobile agreements | 52,170 | - | - | 52,170 |
| Vance County | - | 144,218 | - | 144,218 |
| Insurance proceeds | 4,895 | - | - | 4,895 |
| Gain (loss) from sale of assets | 4,000 | 3,155 | - | 7,155 |
| Interest and other charges | (168,583) | (40,616) | (38,765) | (247,964) |
| Total other financing sources (uses) | <u>(14,418)</u> | <u>108,404</u> | <u>(34,514)</u> | <u>59,472</u> |
| Income (loss) before contributions and transfers | <u>1,096,824</u> | <u>1,387,892</u> | <u>1,637,004</u> | <u>4,121,720</u> |
| Capital contributions | - | 383,430 | - | 383,430 |
| Extraordinary event (Note II.B.5) | (8,190,590) | - | - | (8,190,590) |
| Transfers from other funds | 627,141 | - | - | 627,141 |
| Transfers (to) other funds | (263,748) | (783,941) | (315,200) | (1,362,889) |
| Change in net position | <u>(6,730,373)</u> | <u>987,381</u> | <u>1,321,804</u> | <u>(4,421,188)</u> |
| Total net position, beginning | <u>25,389,355</u> | <u>26,595,657</u> | <u>23,729,129</u> | <u>75,714,141</u> |
| Prior period adjustment (Note II.E) | (154,639) | - | 452,959 | 298,320 |
| Total net position, as restated | <u>25,234,716</u> | <u>26,595,657</u> | <u>24,182,088</u> | <u>76,012,461</u> |
| Total net position, ending | <u>\$ 18,504,343</u> | <u>\$ 27,583,038</u> | <u>\$ 25,503,892</u> | <u>\$ 71,591,273</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, 2014

| | Major Enterprise Funds | | | |
|--|-------------------------------|---------------------|-----------------------------------|----------------------|
| | Water Fund | Sewer Fund | Regional Water System Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 7,089,360 | \$ 6,157,539 | \$ 4,216,917 | \$ 17,463,816 |
| Cash paid for goods and services | (3,705,435) | (1,880,063) | (1,550,930) | (7,136,428) |
| Cash paid to or on behalf of employees for services | (656,689) | (838,451) | (469,229) | (1,964,369) |
| Net cash provided (used) by operating activities | <u>2,727,236</u> | <u>3,439,025</u> | <u>2,196,758</u> | <u>8,363,019</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Sprint / T-Mobile agreements | 52,170 | - | - | 52,170 |
| Insurance proceeds | 4,895 | - | - | 4,895 |
| Interest on water reservation notes | 89,979 | - | - | 89,979 |
| Vance County | - | 144,218 | - | 144,218 |
| Transfers from other funds | 644,188 | - | - | 644,188 |
| Transfers to other funds | (280,795) | (783,941) | (315,200) | (1,379,936) |
| Net cash provided (used) by noncapital financing activities | <u>510,437</u> | <u>(639,723)</u> | <u>(315,200)</u> | <u>(444,486)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition/construction of capital assets | (582,037) | (1,496,643) | (226,967) | (2,305,647) |
| Capital contributions | - | 381,402 | - | 381,402 |
| Principal paid on bond and equipment contracts | (938,601) | (402,584) | (683,900) | (2,025,085) |
| Interest paid on bond and equipment contracts | (171,554) | (41,080) | (25,119) | (237,753) |
| Proceeds from sale of assets | 4,000 | 3,155 | - | 7,155 |
| Net cash provided (used) by capital and related financing activities | <u>(1,688,192)</u> | <u>(1,555,750)</u> | <u>(935,986)</u> | <u>(4,179,928)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on investments | <u>3,121</u> | <u>1,647</u> | <u>4,251</u> | <u>9,019</u> |
| Net cash provided (used) by investing activities | <u>3,121</u> | <u>1,647</u> | <u>4,251</u> | <u>9,019</u> |
| Net increase (decrease) in cash and cash equivalents | 1,552,602 | 1,245,199 | 949,823 | 3,747,624 |
| Balances, beginning | <u>4,875,201</u> | <u>549,933</u> | <u>4,654,832</u> | <u>10,079,966</u> |
| Balances, ending | <u>\$ 6,427,803</u> | <u>\$ 1,795,132</u> | <u>\$ 5,604,655</u> | <u>\$ 13,827,590</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, 2014

| | 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 | \$ 1,111,242 | \$ 1,279,488 | \$ 1,671,518 | \$ 4,062,248 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 414,145 | 752,905 | 477,880 | 1,644,930 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in– | | | | |
| Accounts receivable | 185,723 | 1,432,822 | (4,678) | 1,613,867 |
| Notes receivable - Water Reservation | 904,909 | - | - | 904,909 |
| Inventory | - | 1,400 | 31,950 | 33,350 |
| Increase (decrease) in– | | | | |
| Accounts payable and accrued liabilities | (76,649) | (71,428) | 2,087 | (145,990) |
| Customer/security deposits | 162,070 | - | - | 162,070 |
| Accrued OPEB liability | 27,553 | 35,179 | 19,687 | 82,419 |
| Accrued vacation pay | (1,757) | 8,659 | (1,686) | 5,216 |
| Total adjustments | <u>1,615,994</u> | <u>2,159,537</u> | <u>525,240</u> | <u>4,300,771</u> |
| Net cash provided by operating activities | <u>\$ 2,727,236</u> | <u>\$ 3,439,025</u> | <u>\$ 2,196,758</u> | <u>\$ 8,363,019</u> |
| SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Debt-financed acquisition/construction of capital assets | \$ 917,665 | \$ 7,848,404 | \$ - | \$ 8,766,069 |
| (Increase) decrease in capital project accounts receivable | (15,589) | (978,019) | - | (993,608) |
| Increase (decrease) in capital project construction expenses payable | (225,122) | 587,263 | 43,014 | 405,155 |
| NONCASH EFFECTS OF EXTRAORDINARY EVENT: SEE FOOTNOTE II.B.5 | | | | |
| (Increase) decrease in notes receivable | \$ (6,337,174) | \$ - | \$ - | \$ (6,337,174) |
| Increase (decrease) in contingent liability | 1,853,416 | - | - | 1,853,416 |

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, 2014

| | <u>Pension Trust Fund</u> |
|---|-------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>115,091</u> |
| Total assets | \$ <u><u>115,091</u></u> |
| NET POSITION | |
| Held in trust for Employees' pension benefits | \$ <u>115,091</u> |
| Total Net Position | \$ <u><u>115,091</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, 2014

| | Pension Trust Fund |
|--|-------------------------------|
| ADDITIONS | |
| Investment earnings | \$ <u>11</u> |
| Total additions | <u>11</u> |
| | |
| Change in net position held in trust for: | |
| Employees' pension benefits | 11 |
| | |
| Net position, beginning | <u>115,080</u> |
| | |
| Net position, ending | <u>\$ 115,091</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, 2014

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, 2014

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 the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

C. Measurement Focus and Basis of Accounting

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

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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. 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.

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

City of Henderson Restricted Cash

Governmental Activities

| | | | |
|---|---------------------------|----|----------------|
| General Fund: | | | |
| Powell Bill | Streets | \$ | 410,519 |
| Grants Fund: | | | |
| Julia Avenue Project | Planning & Community Dev. | | 34,799 |
| Capital Reserve General Fund | Capital Reserves | | 56,432 |
| Capital Reserve Economic Development Fund | Capital Reserves | | 15,828 |
| CIP Powell Bill Fund | Streets | | <u>29,914</u> |
| Total Governmental Activities | | | <u>547,492</u> |

Business-type Activities

| | | | |
|-----------------------|-------------------|----|----------------|
| Water Fund | Customer Deposits | | <u>336,220</u> |
| Total restricted cash | | \$ | <u>883,712</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, 2013.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Notes Receivable

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

11. Compensated Absences

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

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

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 developments.

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

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

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

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

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

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

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City’s agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, the City's deposits had a carrying amount of \$10,000,554 and a bank balance of \$10,057,319. Of the bank balance, \$875,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the City had petty cash of \$2,140.

2. Investments

At June 30, 2014, the City had \$10,297,846 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no formal policy regarding credit risk, but has internal management procedures mandating compliance with the governance of G. S. 159-30 (b) and (c) which lists the types of investments permitted to local governments and public authorities.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014, are net of the following allowances for doubtful accounts:

| | |
|---------------------------|----------------|
| General Fund: | |
| Property taxes receivable | \$ 170,000 |
| Accounts receivable | <u>341,781</u> |
| Total | <u>511,781</u> |
| Water Fund: | |
| Accounts receivable | <u>197,071</u> |
| Sewer Fund: | |
| Accounts receivable | <u>214,485</u> |

4. Notes Receivable – Water Reservation Agreements

The City held a note receivable from Granville County for a water allocation reservation fee, effective December 29, 2011. In order to obtain reservation of 1,500,000 gpd (gallons per day), Granville County was to pay to the City a water allocation reservation fee of \$9,000,000 financed by the City over a period not to exceed ten (10) years at 1.25% interest. Three payments totaling \$2,853,416 were received by the City through June 30, 2014. Subsequent to fiscal year-end, the City

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

approved a termination of utilities sale agreement with Granville County, calling for the termination of the water allocation reservation, as described in Note II.B.5. The City consequently recognizes no balance receivable from Granville County as of June 30, 2014.

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, 2014 total as follows:

Water Fund:

| | |
|------------------------|---------------------|
| Vance County | \$ 1,706,250 |
| Less: current portion | (43,750) |
| Non-current receivable | <u>\$ 1,662,500</u> |

Minimum future payments due on notes receivable are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------|---------------------|
| 2015 | \$ 43,750 | \$ - | \$ 43,750 |
| 2016 | 43,750 | - | 43,750 |
| 2017 | 43,750 | - | 43,750 |
| 2018 | 43,750 | - | 43,750 |
| 2019 | 43,750 | - | 43,750 |
| 2020-2024 | 218,750 | - | 218,750 |
| 2025-2029 | 218,750 | - | 218,750 |
| 2030-2034 | 218,750 | - | 218,750 |
| 2035-2039 | 218,750 | - | 218,750 |
| 2040-2044 | 218,750 | - | 218,750 |
| 2045-2049 | 218,750 | - | 218,750 |
| 2050-2052 | 175,000 | - | 175,000 |
| Total | <u>\$ 1,706,250</u> | <u>\$ -</u> | <u>\$ 1,706,250</u> |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

5. Capital Assets

Capital asset activity for the City of Henderson for the year ended June 30, 2014, was as follows:

| <u>Governmental Activities</u> | Beginning Balances (As Restated) | <u>Increases</u> | <u>Decreases</u> | Ending Balances |
|--|--|------------------|------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,515,183 | \$ - | \$ - | \$ 1,515,183 |
| Construction in progress | <u>309,204</u> | <u>32,295</u> | <u>-</u> | <u>341,499</u> |
| Total capital assets not being depreciated | 1,824,387 | 32,295 | - | 1,856,682 |
| Capital assets being depreciated: | | | | |
| Buildings | 17,663,793 | - | - | 17,663,793 |
| Other improvements | 13,103,488 | - | - | 13,103,488 |
| Equipment and vehicles | <u>8,773,021</u> | <u>182,058</u> | <u>140,344</u> | <u>8,814,735</u> |
| Total capital assets being depreciated | 39,540,302 | 182,058 | 140,344 | 39,582,016 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,734,410 | 383,666 | - | 2,118,076 |
| Other improvements | 12,476,129 | 57,042 | - | 12,533,171 |
| Equipment and vehicles | <u>8,280,802</u> | <u>220,136</u> | <u>140,344</u> | <u>8,360,594</u> |
| Total accumulated depreciation | <u>22,491,341</u> | <u>660,844</u> | <u>140,344</u> | <u>23,011,841</u> |
| Total capital assets being depreciated, net | <u>17,048,961</u> | | | <u>16,570,175</u> |
| Governmental activity capital assets, net | <u>\$ 18,873,348</u> | | | <u>\$ 18,426,857</u> |

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

| | |
|------------------------------------|-------------------|
| General government | \$ 107,504 |
| Public safety | 261,696 |
| Planning and community development | 20,120 |
| Public services – | |
| Transportation and other | 122,111 |
| Environmental protection | 25,615 |
| Recreation and parks | <u>123,798</u> |
| Total depreciation expense | <u>\$ 660,844</u> |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

| | Beginning Balances (As Restated) | Increases | Decreases | Ending Balances |
|--|--|----------------|----------------|--------------------|
| <u>Business-type Activities</u> | | | | |
| <i>Water Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,710,560 | \$ - | \$ - | \$ 1,710,560 |
| Construction in progress | 297,755 | 1,221,710 | - | 1,519,465 |
| Equipment not in service | <u>104,955</u> | <u>-</u> | <u>104,955</u> | <u>-</u> |
| Total capital assets not being depreciated | 2,113,270 | 1,221,710 | 104,955 | 3,230,025 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,859,228 | - | - | 1,859,228 |
| Distribution system | 19,569,467 | - | - | 19,569,467 |
| Equipment and vehicles | <u>640,969</u> | <u>157,825</u> | <u>39,287</u> | <u>759,507</u> |
| Total capital assets being depreciated | 22,069,664 | 157,825 | 39,287 | 22,188,202 |
| Less accumulated depreciation for: | | | | |
| Buildings | 428,794 | 22,880 | - | 451,674 |
| Distribution system | 4,532,029 | 331,843 | - | 4,863,872 |
| Equipment and vehicles | <u>556,379</u> | <u>59,424</u> | <u>39,287</u> | <u>576,516</u> |
| Total accumulated depreciation | <u>5,517,202</u> | <u>414,147</u> | <u>39,287</u> | <u>5,892,062</u> |
| Total capital assets being depreciated, net | <u>16,552,462</u> | | | <u>16,296,140</u> |
| Water capital assets, net | <u>18,665,732</u> | | | <u>19,526,165</u> |
| <i>Sewer Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 211,136 | - | - | 211,136 |
| Construction in progress | 3,598,059 | 9,772,314 | - | 13,370,373 |
| Equipment not in service | <u>60,769</u> | <u>-</u> | <u>60,769</u> | <u>-</u> |
| Total capital assets not being depreciated | 3,869,964 | 9,772,314 | 2,546,174 | 13,581,509 |
| Capital assets being depreciated: | | | | |
| Buildings | 24,197,822 | - | - | 24,197,822 |
| Distribution system | 14,448,415 | - | - | 14,448,415 |
| Equipment and vehicles | <u>1,872,960</u> | <u>220,765</u> | <u>34,756</u> | <u>2,058,969</u> |
| Total capital assets being depreciated | 40,519,197 | 220,765 | 34,756 | 40,705,206 |
| Less accumulated depreciation for: | | | | |
| Buildings | 11,354,151 | 481,774 | - | 11,835,925 |
| Distribution system | 3,044,475 | 209,950 | - | 3,254,425 |
| Equipment and vehicles | <u>1,796,309</u> | <u>61,181</u> | <u>34,756</u> | <u>1,822,734</u> |
| Total accumulated depreciation | <u>16,194,935</u> | <u>752,905</u> | <u>34,756</u> | <u>16,913,084</u> |
| Total capital assets being depreciated, net | <u>24,324,262</u> | | | <u>23,792,122</u> |
| Sewer capital assets, net | <u>28,194,226</u> | | | <u>37,373,631</u> |

CITY OF HENDERSON, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2014

| | Beginning Balances <u>(As Restated)</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|---|------------------|------------------|----------------------------|
| Regional Water System Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 155,672 | \$ - | \$ - | \$ 155,672 |
| Water storage rights | 2,375,336 | - | - | 2,375,336 |
| Construction in progress | <u>1,771,670</u> | <u>202,352</u> | <u>-</u> | <u>1,974,022</u> |
| Total capital assets not being depreciated | 4,302,678 | 202,352 | - | 4,505,030 |
| Capital assets being depreciated: | | | | |
| Buildings | 6,808,289 | - | - | 6,808,289 |
| Distribution system | 20,939,534 | - | - | 20,939,534 |
| Equipment and vehicles | <u>728,132</u> | <u>67,629</u> | <u>-</u> | <u>795,761</u> |
| Total capital assets being depreciated | 28,475,955 | 67,629 | - | 28,543,584 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,682,039 | 101,117 | - | 3,783,156 |
| Distribution system | 4,462,685 | 332,896 | - | 4,795,581 |
| Equipment and vehicles | <u>512,677</u> | <u>43,866</u> | <u>-</u> | <u>556,543</u> |
| Total accumulated depreciation | <u>8,657,401</u> | <u>477,879</u> | <u>-</u> | <u>9,135,280</u> |
| Total capital assets being depreciated, net | <u>19,818,554</u> | | | <u>19,408,304</u> |
| Regional Water capital assets, net | <u>24,121,232</u> | | | <u>23,913,334</u> |
| Business-type activities capital assets, net | <u>\$ 70,981,190</u> | | | <u>\$ 80,813,130</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, 2014. At year-end, the government's commitments with contracts are as follows:

| | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|-------------------------------|----------------------|---------------------------------|
| Governmental Activities: | | |
| General Fund Capital Projects | | |
| Police Training Center | \$ 24,332 | \$ 10,428 |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
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| | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|--------------------------------|----------------------|---------------------------------|
| Business-Type Activities: | | |
| Water Fund Capital Projects | | |
| 2" Water Line Replacement | \$ 1,105,819 | \$ 627,121 |
| Sewer Fund Capital Projects | | |
| HWRF Improvements | 9,912,960 | 5,764,035 |
| Sandy Creek Pump Station | 240,429 | 1,126,640 |
| Warren Co. Meter Location | 103,682 | 4,222 |
| High Speed Eff. Pump | - | 914,866 |
| Business-Type Activities Total | 11,362,889 | 8,436,885 |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

i. Plan Description

The City of Henderson contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

ii. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Henderson are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$514,288, \$496,114 and \$514,625, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

i. Plan Description

The City of Henderson administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any

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increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

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

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

At December 31, 2013 the Separation Allowance's membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | 8 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>53</u> |
| Total | <u>61</u> |

ii. 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.

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.

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

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, 2013 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

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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, 2013 was 18 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 | \$ | 96,390 |
| Interest on net pension obligation | | 13,080 |
| Adjustment to annual required contribution | | <u>(21,313)</u> |
| Annual pension cost | | 88,157 |
| Contributions made | | <u>(90,201)</u> |
| Increase (decrease) in net pension obligations | | 2,044 |
| Net pension obligation, beginning of year | | <u>261,594</u> |
| Net pension obligation, end of year | | <u>\$ 259,550</u> |

Three Year Trend Information

| For Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---------------------------|------------------------------|----------------------------------|---------------------------|
| 2012 | \$ 85,519 | 77.30% | \$ 249,115 |
| 2013 | 93,051 | 86.59% | 261,594 |
| 2014 | 88,157 | 102.32% | 259,550 |

vi. *Funded Status and Funding Progress*

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits (AAL) was \$987,395 and the unfunded actuarial accrued liability (UAAL) was \$872,309. The covered payroll (annual payroll of active employees covered by the plan) was \$2,076,305, and the ratio of the UAAL to the covered payroll was 42.01 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

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obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

ii. Funding Policy

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

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

i. Plan Description

The State of North Carolina contributes, on behalf of the City of Henderson, to the Firemen's and Rescue Squad Workers Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Workers Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

ii. Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer controller, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer controller, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Deferred Compensation Plan

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

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'

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Retirement System (System) and have completed a period of not less than ten years of continuous full-time employment with the City of Henderson.

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

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

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

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

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

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

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

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

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

CITY OF HENDERSON, NORTH CAROLINA
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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 \$384,551 or 5.48% of annual covered payroll. The city obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively. There were no contributions made by employees, and no contributions for dependent coverage. The City's obligation to contribute to the plan is established and may be amended by the City Council.

iii. Summary of Significant Accounting Policies

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

iv. Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|---------------------|
| Annual required contribution | \$ 693,182 |
| Interest on net OPEB obligation | 157,205 |
| Adjustment to annual required contribution | <u>(150,180)</u> |
| Annual OPEB cost | 700,207 |
| Contributions made | <u>(384,551)</u> |
| Increase (decrease) in net OPEB obligation | 315,656 |
| Net OPEB obligation, beginning of year | <u>3,930,136</u> |
| Net OPEB obligation, end of year | <u>\$ 4,245,792</u> |

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

| For Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------|---------------------|--|------------------------|
| 2012 | \$ 678,782 | 46.43% | \$ 3,602,583 |
| 2013 | 679,432 | 48.21% | 3,930,136 |
| 2014 | 700,207 | 54.92% | 4,245,792 |

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

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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 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.

For the fiscal year ended June 30, 2014, 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

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Notes to the Financial Statements
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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.

3. Deferred Outflows and Inflows of Resources

The City has no deferred outflows of resources as of June 30, 2014.

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

| | Unavailable Revenue | Unearned Revenue |
|---------------------------|------------------------|---------------------|
| General Fund: | | |
| Property taxes receivable | \$ 497,842 | \$ - |
| Prepaid taxes | - | 834 |

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, 2014, 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 the water reservation agreement between the City of Henderson and Granville County, disclosed in Note II.A.4 above. If the agreement is set aside,

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Granville County is entitled to the return of most, if not all, of the money that it has paid to the City of Henderson under this contract. 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 calls for the dismissal of all pending claims by the City of Oxford and includes a termination of utilities sale agreement that will conclude the water reservation agreement between the City of Henderson and Granville County. The settlement allows for the City of Henderson to retain \$1,000,000 and calls for the refund of \$1,853,416 to Granville County. In the opinion of the City's management and outside counsel for this case, it is probable that this event will occur. Accordingly, the City of Henderson has recognized the following items in its financial statements for the fiscal year ended June 30, 2014:

Business-Type Activities: Water Fund

| | |
|---|---------------------|
| Write-off balance of Granville County note receivable as of June 30, 2014 | \$ 6,337,174 |
| Accrue contingent liability: refund payable to Granville County | <u>1,853,416</u> |
| Effect on net position (extraordinary event) | <u>\$ 8,190,590</u> |

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 |

The following is an analysis of the assets recorded under capital leases at June 30, 2014:

| <u>Class of property</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|--------------------------|-------------|---------------------------------|-----------------------|
| Vehicles and equipment | \$ 285,602 | \$ 62,233 | \$ 223,370 |

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental</u> | <u>Business-type</u> |
|---|---------------------|----------------------|
| 2015 | \$ 21,043 | \$ 65,759 |
| 2016 | 21,043 | 65,759 |
| 2017 | - | 55,452 |
| 2018 | - | 55,452 |
| 2019 | - | - |
| Total minimum lease payments | <u>42,087</u> | <u>242,424</u> |
| Less: amount representing interest | <u>(1,518)</u> | <u>(8,678)</u> |
| Present value of minimum lease payments | <u>\$ 40,568</u> | <u>\$ 233,745</u> |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

b. Notes Payable and Revolving Loans

At June 30, 2014, the City of Henderson had a legal debt margin of \$ 78,369,468.

Notes payable at June 30, 2014 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. | \$ 528,532 |
| \$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. | 1,685,000 |
| \$163,750, 2009 note payable to Vance County due in annual installments of \$32,750 with no interest. | 65,500 |

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. | 126,295 |
| \$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%. | 152,208 |
| \$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. | 293,928 |

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. | 124,453 |
| \$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. | 345,856 |
| \$1,000,000, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources for sanitary sewer capital improvements. The City has been approved for \$500,000 of principal forgiveness on the balance of this loan. Repayment of the loan is scheduled for 20 years at 2% interest. | 469,391 |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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. | \$ 998,500 |
| \$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. | 866,625 |
| \$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>1,867,854</u> |
| Total | <u><u>\$ 7,524,142</u></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> |
| 2015 | \$ 647,016 | \$ 110,412 | \$ 968,364 | \$ 176,069 |
| 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 |
| 2020-2024 | - | - | 596,240 | 363,403 |
| 2025-2029 | - | - | 689,540 | 257,744 |
| 2030-2034 | - | - | 779,975 | 130,229 |
| 2035-2039 | - | - | 169,130 | 18,873 |
| 2040-2042 | - | - | <u>28,136</u> | <u>2,932</u> |
| Total | <u><u>\$ 2,279,032</u></u> | <u><u>\$ 281,899</u></u> | <u><u>\$ 5,245,110</u></u> | <u><u>\$ 1,393,905</u></u> |

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

As of June 30, 2014, 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, 2014.

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. | \$ 1,154,544 |
|---|--------------|

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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. \$ 11,322,836

\$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. 197,083

The City was additionally subject to revolving loan agreements for budgeted capital projects that had not yet begun as of June 30, 2014. No funds have been drawn down from such agreements.

To be serviced by the Sewer Fund:

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

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.

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%. \$ 5,597,000

The future payments of the revenue bond are as follows:

| Year Ending | | |
|----------------|---------------------|-------------------|
| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 876,000 | \$ 134,328 |
| 2016 | 899,000 | 113,304 |
| 2017 | 925,000 | 91,728 |
| 2018 | 944,000 | 69,528 |
| 2019 | 966,000 | 46,872 |
| 2020 | <u>987,000</u> | <u>23,688</u> |
| Total | <u>\$ 5,597,000</u> | <u>\$ 479,448</u> |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

The City has been in compliance with the covenants as to rates, fees, and charges in Article V, Section 501 of the Bond order, authorizing the issuance of the Combined Enterprise System Revenue Refunding Bond, Series 2011, since its' adoption in 2011. Section 501(b) of the Bond Order requires the parity debt service coverage ratio to be no less than 125% (or 1.25) and the subordinate debt service coverage ratio to be no less than 100% (or 1.00).

The debt service ratio calculations for the year ended June 30, 2014, are as follows:

| | <u>Water and Sewer Funds</u> |
|--|------------------------------|
| <u>Parity debt</u> | |
| Income (loss) before contributions and transfers | \$ 2,484,716 |
| Add back: | |
| Interest and other charges | 209,199 |
| Depreciation | <u>1,167,050</u> |
| Net revenues | <u>3,860,965</u> |
| | |
| Debt service, principal and interest (Revenue Refunding Bond only) | <u>1,016,905</u> |
| | |
| Debt coverage ratio | 380% |
| | |
| Required debt coverage ratio | 125% |
| | |
| <u>Subordinate debt</u> | |
| Net revenues | \$ 3,860,965 |
| Less: parity debt service | <u>1,016,905</u> |
| Adjusted net revenues | <u>2,844,060</u> |
| | |
| Debt service, principal and interest (All, including capital leases) | 1,550,384 |
| Less: parity debt service | <u>1,016,905</u> |
| Debt service, excluding parity debt | <u>533,479</u> |
| | |
| Debt coverage ratio | 533% |
| | |
| 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 \$6,076,448. Principal and interest paid for the current year was \$1,016,905.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

e. Changes in General Long-Term Debt

| | Balance (As Restated) July 1, 2013 | Increases | Decreases | Balance June 30, 2014 | Current Portion |
|--|--|----------------------|---------------------|--------------------------|---------------------|
| Governmental Activities: | | | | | |
| Notes payable | \$ 2,926,048 | \$ - | \$ 647,016 | \$ 2,279,032 | \$ 647,016 |
| Capital leases | 91,725 | - | 51,157 | 40,568 | 20,080 |
| Net pension obligation | 261,594 | 88,157 | 90,201 | 259,550 | - |
| Other post-employment benefits | 2,847,838 | 553,468 | 320,321 | 3,081,075 | - |
| Compensated absences | 435,889 | 122,253 | 161,737 | 396,405 | 160,123 |
| Governmental activity long-term liabilities | <u>\$ 6,563,094</u> | <u>\$ 763,878</u> | <u>\$ 1,270,342</u> | <u>\$ 6,056,631</u> | <u>\$ 827,219</u> |
| Business-type Activities: | | | | | |
| Notes payable | \$ 7,434,079 | \$ 11,553,721 | \$ 1,068,227 | \$ 17,919,573 | \$ 968,364 |
| Revenue bond | 6,459,000 | - | 862,000 | 5,597,000 | 876,000 |
| Capital leases | 328,603 | - | 94,857 | 233,745 | 62,190 |
| Other post-employment benefits | 1,082,298 | 146,739 | 64,320 | 1,164,717 | - |
| Compensated absences | 96,076 | 78,161 | 72,946 | 101,292 | 71,115 |
| Business-type activity long-term liabilities | <u>\$ 15,400,056</u> | <u>\$ 11,778,621</u> | <u>\$ 2,162,350</u> | <u>\$ 25,016,327</u> | <u>\$ 1,977,669</u> |

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, 2014:

| | |
|---------------|-----------|
| June 30, 2015 | \$ 19,260 |
| June 30, 2016 | 4,815 |

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014 consist of the following:

| <u>Transfer From</u> | <u>Transfer To</u> | |
|--|--------------------------------|-----------|
| Funding of grant and capital projects: | | |
| General Fund | Grants Fund | \$ 17,564 |
| General Fund | General Fund Capital Projects | 34,760 |
| Regional Water System Fund | RWS Capital Project Fund | 182,000 |
| Capital Reserve Utilities Fund | Sewer Capital Project Fund | 36,000 |
| Contributions to budgetary reserves: | | |
| Water Fund | Capital Reserve Utilities Fund | 44,600 |
| Water Fund | Rate Stabilization Fund | 1,955,114 |
| Sewer Fund | Capital Reserve Utilities Fund | 77,800 |
| Sewer Fund | Rate Stabilization Fund | 64,200 |
| Regional Water System Fund | Regional Water Reserve Fund | 618,750 |

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

| <u>Transfer From</u> | <u>Transfer To</u> | | |
|--|--------------------|----|---------|
| Administrative support of proprietary funds: | | | |
| Water Fund | General Fund | \$ | 361,300 |
| Sewer Fund | General Fund | | 252,800 |
| Regional Water System Fund | General Fund | | 219,200 |
| Sewer Fund | Water Fund | | 144,900 |
| Regional Water System Fund | Water Fund | | 80,000 |
| Proprietary fund debt service: | | | |
| General Fund | Water Fund | | 97,552 |
| Sewer Fund | Water Fund | | 386,241 |
| Regional Water System Fund | Water Fund | | 16,000 |

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

D. Fund Balance

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

| | |
|--|---------------------|
| <u>Total fund balance – General Fund</u> | <u>\$ 6,130,835</u> |
| Less: | |
| Stabilization by State Statute | 1,264,915 |
| Public Safety – Asset Forfeiture | 454,050 |
| Streets – Powell Bill | 410,519 |
| Appropriated fund balance in 2015 budget | 325,000 |
| Remaining fund balance | 3,676,351 |

The City Council established a policy in 2008 setting forth a goal to increase the fund balance to an appropriate level. The City utilizes a more stringent measure for fund balance as a percentage of budget than does the Local Government Commission (LGC). To that end, the City only considers undesignated (unassigned) funds not reserved for any purpose as the basis for determining its percentage of unassigned fund balance to prior year expenditures. Additionally, this policy seeks to achieve a 3 – 5% increase in unassigned fund balance each year until 30% has been reached. The City’s Strategic Plan, since April 2008, has included a long-term Action Item, AP 8-1, to grow the unassigned fund balance to 30% of budget. As of June 30, 2014, the unassigned fund balance is 24.19% of budget. Per the calculation used by the LGC, the City’s unassigned fund balance is 36.34% of prior year expenditures.

E. Prior Period Adjustment

During the fiscal year ended June 30, 2014, the City determined that certain long-term liabilities that were subject to recognition in the Water and Regional Water System Funds as of June 30, 2013, on the full-accrual basis of accounting, had been omitted. Additionally, an intangible asset acquired in consideration for the unrecognized liability in the Regional Water System fund had been omitted. Therefore, an adjustment to beginning net position has been recorded to account for these items, the net effect of which decreased beginning net position of the Water Fund by \$154,639 and increased the beginning net position of the Regional Water System Fund by \$452,959.

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

F. Extraordinary Event

The City has recognized in the Water Fund the expected loss from the settlement of a lawsuit pertaining to the water reservation agreement with Granville County, as described in Note II.B.5 above.

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 \$29,376 to the Council during the fiscal year ended June 30, 2014; consisting of membership fees of \$7,376, and a payment of \$22,000 for the development of a system-wide parks and recreation master plan.

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, 2014, the Water Fund of the City of Henderson purchased water from the System totaling \$2,588,916. 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, 2014.

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

CITY OF HENDERSON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

funding the remaining 25%. For fiscal year 2014, 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, 2014.

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

D. Henderson Firemen's Supplemental Retirement System

The City appoints one member of the Henderson City Council to the five-member local board of trustees for the Henderson Firemen's Supplemental Retirement System. Two members are chosen from the membership of the Henderson Fire department and are elected by a majority vote of the members; the final two members are appointed by the President of the Henderson Board of Fire and Casualty Underwriters. In accordance with state law, the Henderson Firemen's Supplemental Retirement System has established a supplemental retirement fund which is comprised primarily of Firemen's Relief Fund payments received. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the System for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The City does not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2014. 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, 2014

VI. Significant Effects of Subsequent Events

The City has evaluated events and transactions that occurred between June 30, 2014 and November 13, 2014, 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 Notes II.B.5 and II.F above, The City has recognized as of June 30, 2014 the loss to be incurred from the probable settlement on an ongoing lawsuit.

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.

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) |
|--------------------------------|--|--|--------------------------------------|----------------------------|---------------------------|--|
| 12/31/2007 | \$ 229,951 | \$ 628,386 | \$ 398,435 | 36.59% | \$ 1,894,019 | 21.04% |
| 12/31/2008 | 217,047 | 675,357 | 458,310 | 32.14% | 2,017,254 | 22.72% |
| 12/31/2009 | 192,621 | 847,450 | 654,829 | 22.73% | 2,203,775 | 29.71% |
| 12/31/2010 | 115,000 | 899,030 | 784,030 | 12.79% | 2,085,763 | 37.59% |
| 12/31/2011 | 114,976 | 963,013 | 848,037 | 11.94% | 2,019,223 | 42.00% |
| 12/31/2012 | 115,059 | 980,477 | 865,418 | 11.74% | 2,024,227 | 42.75% |
| 12/31/2013 | 115,086 | 987,395 | 872,309 | 11.66% | 2,076,305 | 42.01% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Contributions Made |
|------------------------|------------------------------------|---------------------------|-----------------------|
| 2008 | \$ 51,109 | 9.6% | \$ 4,928 |
| 2009 | 57,738 | 11.4% | 6,573 |
| 2010 | 64,229 | 0.0% | - |
| 2011 | 88,855 | 73.2% | 65,000 |
| 2012 | 87,737 | 75.3% | 66,104 |
| 2013 | 96,098 | 83.8% | 80,572 |
| 2014 | 96,390 | 93.6% | 90,201 |

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 dollar closed |
| Remaining amortization period: | 17 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 5.00% |
| Projected salary increases | 4.25% - 7.85% |
| Includes inflation at | 3.00% |
| Cost-of living adjustments | N/A |

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

Schedule of Funding Progress

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

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% |

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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year | \$ 5,677,900 | \$ 5,994,921 | \$ 317,021 | \$ 5,432,137 |
| Prior years | 256,000 | 327,792 | 71,792 | 259,309 |
| Penalties and interest | 70,000 | 105,249 | 35,249 | 61,244 |
| Total | <u>6,003,900</u> | <u>6,427,962</u> | <u>424,062</u> | <u>5,752,690</u> |
| Other taxes and licenses | | | | |
| Privilege licenses | 203,000 | 256,642 | 53,642 | 175,354 |
| Vehicle rental tax | 6,000 | 19,287 | 13,287 | 11,188 |
| Total | <u>209,000</u> | <u>275,929</u> | <u>66,929</u> | <u>186,542</u> |
| Unrestricted intergovernmental | | | | |
| Vance County ABC-5% | 1,600 | 1,908 | 308 | 1,784 |
| Franchise tax | 850,000 | 848,528 | (1,472) | 833,970 |
| Local option sales tax | 2,375,000 | 2,456,998 | 81,998 | 2,392,890 |
| ABC net revenues | 1,000 | 1,791 | 791 | 1,364 |
| Beer and wine tax | 70,000 | 66,551 | (3,449) | 62,040 |
| Total | <u>3,297,600</u> | <u>3,375,776</u> | <u>78,176</u> | <u>3,292,048</u> |
| Restricted intergovernmental | | | | |
| State Street Aid grant | 445,000 | 452,189 | 7,189 | 450,566 |
| DOT mowing / snow contract | 4,000 | 15,034 | 11,034 | 2,338 |
| Solid waste disposal tax | 6,400 | 9,296 | 2,896 | 8,656 |
| Bullet Proof Vest Grant | 2,500 | 2,500 | - | 2,500 |
| Total | <u>457,900</u> | <u>479,019</u> | <u>21,119</u> | <u>464,060</u> |
| Permits and fees | | | | |
| Auto tags | 105,000 | 142,678 | 37,678 | 105,783 |
| Fire inspection fees | 25,100 | 21,620 | (3,480) | - |
| Total | <u>130,100</u> | <u>164,298</u> | <u>34,198</u> | <u>105,783</u> |

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|------------------------------------|-------------------|-------------------|------------------------------------|-------------------|
| | Budget | Actual | | |
| Sales and services | | | | |
| Recreation | \$ 56,000 | \$ 49,786 | \$ (6,214) | \$ 47,065 |
| Refuse collections | 1,828,000 | 1,937,397 | 109,397 | 1,729,553 |
| Misc. refuse collections | - | 1,050 | 1,050 | 375 |
| Leaf bags | 1,000 | 1,617 | 617 | 1,398 |
| Debt setoff-refuse collections | 1,500 | 1,094 | (406) | 3,219 |
| Bad debt recovery | 1,500 | 1,400 | (100) | 1,845 |
| Cemetery interment | 6,000 | 16,500 | 10,500 | 8,250 |
| Aquatics Center | 66,000 | 73,334 | 7,334 | 74,136 |
| Rental-Fox Pond Park | 2,000 | 1,440 | (560) | 4,749 |
| Demolition and lot cleaning | 500 | 2,392 | 1,892 | 646 |
| County contracts | 804,400 | 761,629 | (42,771) | 810,973 |
| Zoning and reclassification | 17,000 | 24,540 | 7,540 | 13,705 |
| Total | <u>2,783,900</u> | <u>2,872,179</u> | <u>88,279</u> | <u>2,695,914</u> |
| Investment earnings | | | | |
| General Fund | 4,000 | 8,741 | 4,741 | 4,761 |
| Powell Bill | 100 | 68 | (32) | 263 |
| Total | <u>4,100</u> | <u>8,809</u> | <u>4,709</u> | <u>5,024</u> |
| Miscellaneous | | | | |
| Parking violations | 2,000 | 1,222 | (778) | 1,819 |
| Civil penalties | - | - | - | 50 |
| Liens collected | 3,000 | - | (3,000) | 1,605 |
| Drug tax/Forfeitures | - | 27,564 | 27,564 | 25,874 |
| Court fees and charges | 6,000 | 7,604 | 1,604 | 6,407 |
| Fire code violations | - | 300 | 300 | 250 |
| Recreation donations | - | 10,129 | 10,129 | 14,772 |
| Miscellaneous | 10,020 | 14,108 | 4,088 | 39,268 |
| Insurance proceeds | 5,500 | 12,532 | 7,032 | 79,744 |
| Workers compensation reimbursement | - | 277 | 277 | - |
| Sale of assets | 7,000 | 14,842 | 7,842 | 8,132 |
| Total | <u>33,520</u> | <u>88,578</u> | <u>55,058</u> | <u>177,921</u> |
| Total revenues | <u>12,920,020</u> | <u>13,692,550</u> | <u>772,530</u> | <u>12,679,982</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Legislative | | | | |
| Governing Body | 177,710 | 164,738 | 12,972 | 189,510 |
| City Attorney | <u>76,635</u> | <u>59,464</u> | <u>17,171</u> | <u>80,469</u> |
| Total Legislative | 254,345 | 224,202 | 30,143 | 269,979 |

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--|----------------------|----------------------|---|------------------------|
| | Budget | Actual | | |
| Administrative | | | | |
| Administration | \$ 335,595 | \$ 328,678 | \$ 6,917 | \$ 333,652 |
| Human Resources | 182,940 | 175,695 | 7,245 | 140,084 |
| Finance | 402,470 | 378,042 | 24,428 | 417,138 |
| Information services | 35,800 | 19,872 | 15,928 | 20,336 |
| Total Administrative | <u>956,805</u> | <u>902,287</u> | <u>54,518</u> | <u>911,210</u> |
| Total General Government | <u>1,211,150</u> | <u>1,126,489</u> | <u>84,661</u> | <u>1,181,189</u> |
| Public safety | | | | |
| Police | 3,981,250 | 3,767,575 | 213,675 | 3,735,239 |
| Police - asset forfeiture | 391,680 | 219,105 | 172,575 | 128,502 |
| Fire department | | | | |
| Fire | 2,158,946 | 2,087,620 | 71,326 | 2,056,437 |
| Lease purchase | - | - | - | 53,612 |
| Total Fire department | <u>2,158,946</u> | <u>2,087,620</u> | <u>71,326</u> | <u>2,110,049</u> |
| Total Public safety | <u>6,531,876</u> | <u>6,074,300</u> | <u>457,576</u> | <u>5,973,790</u> |
| Planning and community development | | | | |
| Code compliance | 165,300 | 140,748 | 24,552 | 146,776 |
| Planning and community development | 133,850 | 101,657 | 32,193 | 137,601 |
| Main Street - downtown development | 66,530 | 61,578 | 4,952 | 50,146 |
| Total Planning and community development | <u>365,680</u> | <u>303,983</u> | <u>61,697</u> | <u>334,523</u> |
| Public services | | | | |
| Transportation | | | | |
| Street maintenance | 1,190,460 | 1,040,215 | 150,245 | 1,032,292 |
| Capital outlay | - | - | - | 29,461 |
| Total Transportation | <u>1,190,460</u> | <u>1,040,215</u> | <u>150,245</u> | <u>1,061,753</u> |
| Environmental protection | | | | |
| Sanitation | 888,630 | 853,437 | 35,193 | 794,968 |
| Sanitation - lease purchase | - | - | - | 17,668 |
| Total Environmental protection | <u>888,630</u> | <u>853,437</u> | <u>35,193</u> | <u>812,636</u> |

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| Other public services | | | | |
| Public Buildings | \$ 72,870 | \$ 62,652 | \$ 10,218 | \$ 67,876 |
| Bennett Perry House | 2,700 | 1,236 | 1,464 | 5,407 |
| Administration - public works | 139,800 | 119,163 | 20,637 | 111,879 |
| City Garage | 162,680 | 156,888 | 5,792 | 116,571 |
| Cemetery | 77,200 | 70,485 | 6,715 | 69,352 |
| Total Other public services | <u>455,250</u> | <u>410,424</u> | <u>44,826</u> | <u>371,085</u> |
| Total Public services | <u>2,534,340</u> | <u>2,304,076</u> | <u>230,264</u> | <u>2,245,474</u> |
| Recreation and parks | | | | |
| Recreation Services | 881,000 | 830,627 | 50,373 | 842,056 |
| Recreation capital outlay | - | - | - | 5,695 |
| Youth Services | 151,600 | 146,238 | 5,362 | 178,901 |
| Aycock Aquatics Center | 346,460 | 322,440 | 24,020 | 322,956 |
| Total Recreation and parks | <u>1,379,060</u> | <u>1,299,305</u> | <u>79,755</u> | <u>1,349,608</u> |
| Non-departmental | | | | |
| City and County shared programs | | | | |
| Contribution to library | 187,400 | 187,400 | - | 187,315 |
| Other shared programs | 796,300 | 744,387 | 51,913 | 734,566 |
| Total City and county shared programs | <u>983,700</u> | <u>931,787</u> | <u>51,913</u> | <u>921,881</u> |
| Local agencies | | | | |
| Contribution to airport | 28,800 | 28,750 | 50 | 28,750 |
| Other local agencies | 6,300 | 6,300 | - | 6,500 |
| Total Local agencies | <u>35,100</u> | <u>35,050</u> | <u>50</u> | <u>35,250</u> |
| General Non-departmental | | | | |
| Insurance deductible | 16,000 | 14,849 | 1,151 | 15,234 |
| Insurance reserve | 9,270 | 1,874 | 7,396 | 62,882 |
| Group insurance - retiree | 352,800 | 320,231 | 32,569 | 293,567 |
| Unemployment costs | 28,480 | 19,810 | 8,670 | 24,924 |
| Economic development incentive | 1,500 | 1,500 | - | - |
| Bad debt | 63,000 | 62,416 | 584 | 5,623 |
| Reserve - other | 461 | - | 461 | - |
| Total General non-departmental | <u>471,511</u> | <u>420,680</u> | <u>50,370</u> | <u>402,230</u> |
| Total Non-departmental | <u>1,490,311</u> | <u>1,387,517</u> | <u>102,794</u> | <u>1,359,361</u> |

CITY OF HENDERSON, NORTH CAROLINA

General Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|--------------------|---------------------|------------------------------------|---------------------|
| | Budget | Actual | | |
| Debt service | | | | |
| Lease purchase payments | \$ 53,700 | \$ 53,612 | \$ 88 | \$ - |
| Principal retirement | 647,017 | 647,016 | 1 | 647,016 |
| Interest and other charges | 141,831 | 141,781 | 50 | 172,782 |
| Total Debt service | <u>842,548</u> | <u>842,409</u> | <u>139</u> | <u>819,798</u> |
| Total expenditures | <u>14,354,965</u> | <u>13,338,079</u> | <u>1,016,886</u> | <u>13,263,743</u> |
| Excess of revenues over (under) expenditures | <u>(1,434,945)</u> | <u>354,471</u> | <u>1,789,416</u> | <u>(583,761)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (to) from other funds: | | | | |
| Special Revenue Funds | | | | |
| Carey Chapel Crossing Project | - | - | - | 15,405 |
| Grants Fund | (17,564) | (17,564) | - | (4,199) |
| Capital Project Funds | | | | |
| Capital Reserve - Economic Development | - | - | - | (10,000) |
| Capital Projects - General Fund | (34,760) | (34,760) | - | 6,920 |
| Permanent Fund - Elmwood Cemetery | - | - | - | 182 |
| Enterprise Funds | | | | |
| Water Fund | 263,748 | 263,748 | - | 264,400 |
| Sewer Fund | 402,800 | 252,800 | (150,000) | 402,800 |
| Regional Water System Fund | <u>225,000</u> | <u>219,200</u> | <u>(5,800)</u> | <u>225,000</u> |
| Total other financing sources | <u>839,224</u> | <u>683,424</u> | <u>(155,800)</u> | <u>900,508</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>(595,721)</u> | <u>1,037,895</u> | <u>1,633,616</u> | <u>316,747</u> |
| Fund balance appropriated | <u>595,721</u> | <u>-</u> | <u>(595,721)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>1,037,895</u> | <u>\$ 1,037,895</u> | <u>316,747</u> |
| FUND BALANCE – Beginning | | <u>5,092,940</u> | | <u>4,776,193</u> |
| FUND BALANCE – Ending | | <u>\$ 6,130,835</u> | | <u>\$ 5,092,940</u> |

CITY OF HENDERSON, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
June 30, 2014, with Comparative Totals for June 30, 2013

| | 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, 2014 | June 30, 2013 |
| | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$ (8,667) | \$ - | \$ - | \$ 184,026 | \$ - | \$ 431,012 | \$ 606,371 | \$ 589,597 |
| Restricted cash | 34,799 | 56,432 | 15,828 | - | 29,914 | - | 136,973 | 135,515 |
| Accounts receivable, net | - | - | - | - | - | - | - | 4,199 |
| Due from other governments | 7,414 | - | - | - | - | - | 7,414 | - |
| Total assets | <u>\$ 33,546</u> | <u>\$ 56,432</u> | <u>\$ 15,828</u> | <u>\$ 184,026</u> | <u>\$ 29,914</u> | <u>\$ 431,012</u> | <u>\$ 750,758</u> | <u>\$ 729,311</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 16,565 | \$ 114 | \$ - | \$ 16,679 | \$ 459 |
| Due to General Fund | - | - | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,565</u> | <u>114</u> | <u>-</u> | <u>16,679</u> | <u>459</u> |
| FUND BALANCES | | | | | | | | |
| Non Spendable | | | | | | | | |
| Perpetual maintenance | - | - | - | - | - | 431,012 | 431,012 | 430,970 |
| Restricted | | | | | | | | |
| Streets - Powell Bill | - | - | - | - | 29,800 | - | 29,800 | 30,435 |
| Planning and community development | 34,799 | - | - | - | - | - | 34,799 | 34,799 |
| Capital reserves | - | 56,432 | 15,828 | - | - | - | 72,260 | 74,480 |
| Assigned | 3,103 | - | - | 167,461 | - | - | 170,564 | 158,168 |
| Unassigned | (4,356) | - | - | - | - | - | (4,356) | - |
| Total fund balance | <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> |
| Total liabilities and fund balances | <u>\$ 33,546</u> | <u>\$ 56,432</u> | <u>\$ 15,828</u> | <u>\$ 184,026</u> | <u>\$ 29,914</u> | <u>\$ 431,012</u> | <u>\$ 750,758</u> | <u>\$ 729,311</u> |

CITY OF HENDERSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds
June 30, 2014, with Comparative Totals for June 30, 2013

| | 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, 2014 | June 30, 2013 |
| | | | | | | | | |
| REVENUES | | | | | | | | |
| Restricted intergovernmental | \$ 103,906 | \$ - | \$ - | \$ 6,075 | \$ - | \$ - | \$ 109,981 | \$ 173,096 |
| Other revenues | - | - | - | - | 112 | - | 112 | 2,200 |
| Investment earnings | - | 2 | - | 2 | 3 | 42 | 49 | 235 |
| Total revenues | <u>103,906</u> | <u>2</u> | <u>-</u> | <u>6,077</u> | <u>115</u> | <u>42</u> | <u>110,142</u> | <u>175,531</u> |
| EXPENDITURES | | | | | | | | |
| Public safety | 76,223 | - | - | 23,170 | - | - | 99,393 | 29,098 |
| Planning and community development | 46,500 | - | 2,222 | 8,374 | - | - | 57,096 | 116,763 |
| Public services | - | - | - | - | 750 | - | 750 | 107,908 |
| Total expenditures | <u>122,723</u> | <u>-</u> | <u>2,222</u> | <u>31,544</u> | <u>750</u> | <u>-</u> | <u>157,239</u> | <u>253,769</u> |
| Revenues over (under) expenditures | <u>(18,817)</u> | <u>2</u> | <u>(2,222)</u> | <u>(25,467)</u> | <u>(635)</u> | <u>42</u> | <u>(47,097)</u> | <u>(78,238)</u> |
| OTHER FINANCING SOURCES | | | | | | | | |
| Transfers in (out) | <u>17,564</u> | <u>-</u> | <u>-</u> | <u>34,760</u> | <u>-</u> | <u>-</u> | <u>52,324</u> | <u>(8,307)</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>(1,253)</u> | <u>2</u> | <u>(2,222)</u> | <u>9,293</u> | <u>(635)</u> | <u>42</u> | <u>5,227</u> | <u>(86,545)</u> |
| FUND BALANCE | | | | | | | | |
| Beginning | <u>34,799</u> | <u>56,430</u> | <u>18,050</u> | <u>158,168</u> | <u>30,435</u> | <u>430,970</u> | <u>728,852</u> | <u>815,397</u> |
| Ending | <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> |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|-----------------------------------|-------------------------------|---------------|---------------------------|-----------------|---------------|------------------------------------|
| | | Current Year | | | Total to Date | |
| | | Prior Years | Revenues/ Expenditures | Closed | | |
| REVENUES | | | | | | |
| Restricted intergovernmental: | | | | | | |
| BJA Grant Bullet Proof Vests 2012 | | | | | | |
| Bureau of Justice Grant | \$ - | \$ 4,199 | \$ - | \$ (4,199) | \$ - | \$ - |
| FEMA OP & Safety Grant | | | | | | |
| FEMA Grant | - | - | 14,146 | (14,146) | - | - |
| NC Gov. Highway Safety Grant | | | | | | |
| NC Div. of Crime Control Grant | 13,725 | - | 7,414 | - | 7,414 | (6,311) |
| Gov. Crime Commission Grant | | | | | | |
| NC Div. of Crime Control Grant | - | - | 16,710 | (16,710) | - | - |
| BJA Grant | | | | | | |
| Bureau of Justice Grant | - | - | 15,586 | (15,586) | - | - |
| BJA Grant Bulletproof Vests 2013 | | | | | | |
| Bureau of Justice Grant | 3,923 | - | 3,550 | - | 3,550 | (373) |
| Julia Avenue Project: | | | | | | |
| Vance Co. Engineering Contract | 38,370 | 39,000 | - | - | 39,000 | 630 |
| Department of Commerce – CA | | | | | | |
| Department of Commerce | <u>50,000</u> | <u>-</u> | <u>46,500</u> | <u>-</u> | <u>46,500</u> | <u>(3,500)</u> |
| Total revenues | <u>106,018</u> | <u>43,199</u> | <u>103,906</u> | <u>(50,641)</u> | <u>96,464</u> | <u>(9,554)</u> |
| EXPENDITURES | | | | | | |
| Public safety: | | | | | | |
| BJA Grant Bullet Proof Vests 2012 | | | | | | |
| Capital outlay | - | 8,398 | - | (8,398) | - | - |
| FEMA OP & Safety Grant | | | | | | |
| Capital outlay - noncapital | - | - | 14,890 | (14,890) | - | - |
| NC Gov. Highway Safety Grant | | | | | | |
| Capital outlay - noncapital | 9,350 | - | 9,265 | - | 9,265 | 85 |
| Capital outlay | <u>8,950</u> | <u>-</u> | <u>7,080</u> | <u>-</u> | <u>7,080</u> | <u>1,870</u> |
| Total | 18,300 | - | 16,345 | - | 16,345 | 1,955 |
| Gov. Crime Commission Grant | | | | | | |
| Capital outlay - noncapital | - | - | 22,280 | (22,280) | - | - |
| BJA Grant | | | | | | |
| Capital outlay - noncapital | - | - | 15,608 | (15,608) | - | - |
| BJA Grant Bulletproof Vests 2013 | | | | | | |
| Capital outlay | 10,576 | - | 7,100 | - | 7,100 | 3,476 |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|------------------|---------------------------|---------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| Planning and community development: | | | | | | |
| Julia Avenue Project: | | | | | | |
| Contracted services | \$ 29,730 | \$ 3,430 | \$ - | \$ - | \$ 3,430 | \$ 26,300 |
| Legal/Administrative | 8,640 | 771 | - | - | 771 | 7,869 |
| Total | 38,370 | 4,201 | - | - | 4,201 | 34,169 |
| Department of Commerce – CA | | | | | | |
| Salaries and wages | 25,000 | - | 31,500 | - | 31,500 | (6,500) |
| Travel and schools | 5,000 | - | - | - | - | 5,000 |
| Training | 10,000 | - | 10,000 | - | 10,000 | - |
| Planning | 5,000 | - | - | - | - | 5,000 |
| Grant administration | 5,000 | - | 5,000 | - | 5,000 | - |
| Total | 50,000 | - | 46,500 | - | 46,500 | 3,500 |
| Total expenditures | 117,246 | 12,599 | 122,723 | (61,176) | 74,146 | 43,100 |
| Excess of revenues over (under) expenditures | (11,228) | 30,600 | (18,817) | 10,535 | 22,318 | 33,546 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfer from General Fund: | | | | | | |
| BJA Grant Bullet Proof Vests 2012 | - | 4,199 | - | (4,199) | - | - |
| FEMA OP & Safety Grant | - | - | 744 | (744) | - | - |
| NC Gov. Highway Safety Grant | 4,575 | - | 4,575 | - | 4,575 | - |
| Gov. Crime Commission Grant | - | - | 5,570 | (5,570) | - | - |
| BJA Grant | - | - | 22 | (22) | - | - |
| BJA Grant Bulletproof Vests 2013 | 6,653 | - | 6,653 | - | 6,653 | - |
| Total other financing sources (uses) | 11,228 | 4,199 | 17,564 | (10,535) | 11,228 | - |
| Excess of revenues and other financing sources over (under) expenditures | \$ - | \$ 34,799 | (1,253) | \$ - | \$ 33,546 | \$ 33,546 |
| FUND BALANCE – Beginning | | | 34,799 | | | |
| FUND BALANCE – Ending | | | <u>\$ 33,546</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|---------------|------------------|---|------------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ 2 | \$ 2 | \$ 9 |
| Total revenues | - | 2 | 2 | 9 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (to) from other funds | - | - | - | - |
| Total other financing sources | - | - | - | - |
| Excess of revenues and other financing sources over (under) expenditures | \$ - | 2 | \$ 2 | 9 |
| FUND BALANCE – Beginning | | <u>56,430</u> | | <u>56,421</u> |
| FUND BALANCE – Ending | | <u>\$ 56,432</u> | | <u>\$ 56,430</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|---------------|---------------|---|------------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Planning and community development: | | | | |
| EDP 12-1 Appliance | - | - | - | 300 |
| EDP 12-2 Thermo King | 2,250 | 2,222 | 28 | 50 |
| Capital Reserve | 13,050 | - | 13,050 | - |
| Total expenditures | 15,300 | 2,222 | 13,078 | 350 |
| Excess of revenues over (under) expenditures | (15,300) | (2,222) | 13,078 | (350) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from General Fund | - | - | - | 10,000 |
| Fund balance appropriated | 15,300 | - | (15,300) | - |
| Total other financing sources | 15,300 | - | (15,300) | 10,000 |
| Excess of revenues and other financing sources over (under) expenditures | \$ - | (2,222) | \$ (2,222) | 9,650 |
| FUND BALANCE – Beginning | | 18,050 | | 8,400 |
| FUND BALANCE – Ending | | \$ 15,828 | | \$ 18,050 |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|-------------------|---------------------------|-------------|-------------------|------------------------------------|
| | | Current Year | | | Total to Date | |
| | | Prior Years | Revenues/ Expenditures | Closed | | |
| REVENUES | | | | | | |
| Beckford Drive Widening Project: | | | | | | |
| Restricted intergovernmental SAFETEA - LU | \$ 825,000 | \$ 119,017 | \$ 6,075 | \$ - | \$ 125,092 | \$ (699,908) |
| Investment income | - | 28 | 2 | - | 30 | 30 |
| Total revenues | <u>825,000</u> | <u>119,045</u> | <u>6,077</u> | <u>-</u> | <u>125,122</u> | <u>(699,878)</u> |
| EXPENDITURES | | | | | | |
| Public safety: | | | | | | |
| Police Training Center Building Improvement | 34,760 | - | 23,170 | - | 23,170 | 11,590 |
| Planning and community dev.: | | | | | | |
| Beckford Drive Widening Project: | | | | | | |
| Contingency | 84,150 | - | - | - | - | 84,150 |
| Administration | 12,787 | 6,142 | 2,667 | - | 8,809 | 3,978 |
| Construction | 732,600 | - | - | - | - | 732,600 |
| Engineering | 201,713 | 195,155 | 5,707 | - | 200,862 | 851 |
| Total | <u>1,031,250</u> | <u>201,297</u> | <u>8,374</u> | <u>-</u> | <u>209,671</u> | <u>821,579</u> |
| Total expenditures | <u>1,066,010</u> | <u>201,297</u> | <u>31,544</u> | <u>-</u> | <u>232,841</u> | <u>833,169</u> |
| Excess of revenues over (under) expenditures | <u>(241,010)</u> | <u>(82,252)</u> | <u>(25,467)</u> | <u>-</u> | <u>(107,719)</u> | <u>133,291</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Police Training Center | | | | | | |
| Transfers (to) from General Fund | 34,760 | - | 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>241,010</u> | <u>206,250</u> | <u>34,760</u> | <u>-</u> | <u>241,010</u> | <u>-</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 123,998</u> | <u>9,293</u> | <u>\$ -</u> | <u>\$ 133,291</u> | <u>\$ 133,291</u> |
| FUND BALANCE – Beginning | | | <u>158,168</u> | | | |
| FUND BALANCE – Ending | | | <u>\$ 167,461</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, 2014

| | Project Author- ization | Actual | | | Variance Positive (Negative) | |
|---|-------------------------------|-----------------|---------------------------|-------------|------------------------------------|-----------------|
| | | Prior Years | Current Year | | | |
| | | | Revenues/ Expenditures | Closed | | Total to Date |
| REVENUES | | | | | | |
| Investment income | \$ - | \$ 21,260 | \$ 3 | \$ - | \$ 21,263 | \$ 21,263 |
| Sales tax refunds | - | 388 | 112 | - | 500 | 500 |
| Total revenues | - | 21,648 | 115 | - | 21,763 | 21,763 |
| EXPENDITURES | | | | | | |
| Public Services: | | | | | | |
| Street Repairs (Birch, Hillside, Cameron) Project: | | | | | | |
| Legal/administration | 500 | 105 | - | - | 105 | 395 |
| Construction | 115,428 | 107,803 | 750 | - | 108,553 | 6,875 |
| Total | 115,928 | 107,908 | 750 | - | 108,658 | 7,270 |
| Total expenditures | 115,928 | 107,908 | 750 | - | 108,658 | 7,270 |
| Excess of revenues over (under) expenditures | <u>(115,928)</u> | <u>(86,260)</u> | <u>(635)</u> | <u>-</u> | <u>(86,895)</u> | <u>29,033</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>\$ 8,069</u> | <u>(635)</u> | <u>\$ -</u> | <u>\$ 7,434</u> | <u>\$ 7,434</u> |
| FUND BALANCE – Beginning | | | <u>30,435</u> | | | |
| FUND BALANCE – Ending | | | <u>\$ 29,800</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | <u>2014</u> | | Variance Positive (Negative) | 2013 Actual |
|---|---------------|-------------------|------------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ 42 | \$ 42 | \$ 186 |
| EXPENDITURES | | | | |
| Public Services | - | - | - | - |
| Excess of revenues over (under) expenditures | - | 42 | 42 | 186 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer (to) General Fund | - | - | - | (181) |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | 42 | <u>\$ 42</u> | 5 |
| FUND BALANCE – Beginning | | <u>430,970</u> | | <u>430,965</u> |
| FUND BALANCE – Ending | | <u>\$ 431,012</u> | | <u>\$ 430,970</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Operating revenues | | | | |
| Charges for services | | | | |
| Water charges | \$ 5,461,500 | \$ 5,540,712 | \$ 79,212 | \$ 5,408,716 |
| Water reservation fee - Granville County | 861,121 | 861,159 | 38 | 850,528 |
| Water reservation fee - Vance County | 52,875 | 52,875 | - | - |
| Debt setoff - water charges | 5,000 | 5,146 | 146 | 9,547 |
| Sprinklers and hydrants | 111,000 | 123,649 | 12,649 | 116,408 |
| Bad debts recovery | 5,000 | 5,104 | 104 | 7,289 |
| Returned check fees | 4,000 | 3,500 | (500) | 4,279 |
| Tapping | 35,000 | 39,714 | 4,714 | 34,044 |
| Reconnection | 20,000 | 21,616 | 1,616 | 21,419 |
| Set up charges | 12,000 | 11,356 | (644) | 10,499 |
| Overpayments utilities | - | (405) | (405) | (7,837) |
| Past due charges | 71,000 | 68,510 | (2,490) | 74,304 |
| Total | <u>6,638,496</u> | <u>6,732,936</u> | <u>94,440</u> | <u>6,529,196</u> |
| Other operating revenues | | | | |
| Sale of materials | 3,000 | 2,910 | (90) | 6,950 |
| Miscellaneous | 2,000 | 5,873 | 3,873 | 2,420 |
| Over-short | - | (152) | (152) | 51 |
| Total | <u>5,000</u> | <u>8,631</u> | <u>3,631</u> | <u>9,421</u> |
| Total operating revenues | <u>6,643,496</u> | <u>6,741,567</u> | <u>98,071</u> | <u>6,538,617</u> |
| Non-operating revenues | | | | |
| Interest on investments | 3,000 | 3,097 | 97 | 5,014 |
| Interest on water reservation note receivable | 89,979 | 89,979 | - | 100,611 |
| Insurance proceeds | - | 4,895 | 4,895 | - |
| Sale of assets | - | 4,000 | 4,000 | - |
| T-Mobile Agreement | 25,000 | 26,265 | 1,265 | 25,750 |
| Sprint PCS Site Agreement | 25,000 | 25,905 | 905 | 25,462 |
| Total non-operating revenues | <u>142,979</u> | <u>154,141</u> | <u>11,162</u> | <u>156,837</u> |
| Total revenues | <u>6,786,475</u> | <u>6,895,708</u> | <u>109,233</u> | <u>6,695,454</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| EXPENDITURES | | | | |
| Administration and engineering | | | | |
| Salaries and employee benefits | \$ 210,550 | \$ 180,244 | \$ 30,306 | \$ 195,885 |
| Supplies | 38,700 | 35,983 | 2,717 | 14,361 |
| Telephone | 4,500 | 3,025 | 1,475 | 3,004 |
| Insurance | 2,740 | 2,676 | 64 | 2,514 |
| Contracted services | 20,100 | 11,945 | 8,155 | 3,414 |
| Capital outlay - noncapital | 1,200 | 1,171 | 29 | - |
| Other administration expenses | 9,750 | 5,044 | 4,706 | 2,682 |
| Total | <u>287,540</u> | <u>240,088</u> | <u>47,452</u> | <u>221,860</u> |
| Public services administration | | | | |
| Supplies | - | - | - | 1,954 |
| Telephone | - | - | - | 3,518 |
| Contracted services | - | - | - | 4,942 |
| Capital outlay | - | - | - | 28,370 |
| Capital outlay - noncapital | - | - | - | 5,427 |
| Other expenses | - | - | - | 5,088 |
| Total | <u>-</u> | <u>-</u> | <u>-</u> | <u>49,299</u> |
| Water distribution operations | | | | |
| Salaries and employee benefits | 372,500 | 355,912 | 16,588 | 352,674 |
| Purchases for resale | 2,920,000 | 2,588,916 | 331,084 | 2,603,861 |
| Supplies | 50,100 | 40,878 | 9,222 | 41,695 |
| Telephone | 4,200 | 3,495 | 705 | 5,999 |
| Utilities | 21,000 | 18,740 | 2,260 | 16,133 |
| Insurance | 15,360 | 15,352 | 8 | 15,327 |
| Contracted services | 105,600 | 92,784 | 12,816 | 69,822 |
| Reimbursement - Water | 50,100 | 41,054 | 9,046 | 39,514 |
| Maintenance | 108,900 | 86,459 | 22,441 | 85,670 |
| Water line repairs | 144,500 | 139,881 | 4,619 | 100,891 |
| Water meter replacements | 84,100 | 84,035 | 65 | 47,129 |
| Water taps | 27,000 | 15,273 | 11,727 | 32,114 |
| Capital outlay - noncapital | - | - | - | 8,676 |
| Capital outlay | 53,100 | 52,870 | 230 | 104,955 |
| Other expenses | 26,800 | 21,449 | 5,351 | 21,492 |
| Total | <u>3,983,260</u> | <u>3,557,098</u> | <u>426,162</u> | <u>3,545,952</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|--------------------|--------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| Customer service | | | | |
| Salaries and employee benefits | \$ 373,600 | \$ 341,190 | \$ 32,410 | \$ 329,593 |
| Supplies | 25,900 | 18,487 | 7,413 | 21,338 |
| Telephone | 2,000 | 2,787 | (787) | 829 |
| Insurance | 23,470 | 11,441 | 12,029 | 9,266 |
| Contracted services | 60,200 | 52,542 | 7,658 | 54,491 |
| Credit card service fees | 17,500 | 17,483 | 17 | 14,548 |
| Capital outlay | - | - | - | 18,071 |
| Other expenses | 6,200 | 5,713 | 487 | 4,894 |
| Total | <u>508,870</u> | <u>449,643</u> | <u>59,227</u> | <u>453,030</u> |
| Non-departmental | | | | |
| Retiree insurance | 27,600 | 20,179 | 7,421 | 16,222 |
| Workers' compensation insurance | 6,020 | 1,017 | 5,003 | 1,856 |
| Vacation and comp. time payout | 6,000 | - | 6,000 | - |
| Reserve for bad debt | 80,000 | 66,010 | 13,990 | 1,674 |
| Contingency | 3,300 | - | 3,300 | - |
| Insurance reserve | 10 | - | 10 | 13,783 |
| Contracted services - pay study | 15,000 | 4,310 | 10,690 | - |
| Total | <u>137,930</u> | <u>91,516</u> | <u>46,414</u> | <u>33,535</u> |
| Debt Service | | | | |
| Lease purchase payments | 35,053 | 35,020 | 33 | - |
| Interest and fees | 178,039 | 168,606 | 9,433 | 192,583 |
| Principal | 1,018,801 | 906,529 | 112,272 | 877,098 |
| Total | <u>1,231,893</u> | <u>1,110,155</u> | <u>121,738</u> | <u>1,069,681</u> |
| Total expenditures | <u>6,149,493</u> | <u>5,448,500</u> | <u>700,993</u> | <u>5,373,357</u> |
| Excess of revenues over (under) expenditures | <u>636,982</u> | <u>1,447,208</u> | <u>(591,760)</u> | <u>1,322,097</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (to) from other funds: | | | | |
| General fund | (263,748) | (263,748) | - | (264,400) |
| Water Capital Project Fund | - | - | - | 39,000 |
| Sewer Fund | 531,141 | 531,141 | - | 585,504 |
| Regional Water System Fund | 96,000 | 96,000 | - | 96,000 |
| Utilities Capital Reserve Fund | (44,600) | (44,600) | - | (44,600) |
| Rate Stabilization Fund | (1,955,114) | (1,955,114) | - | - |
| Lease proceeds | - | - | - | 145,000 |
| Loss on settlement (Note II.B.5) | - | (1,853,416) | (1,853,416) | - |
| Total other financing sources | <u>(1,636,321)</u> | <u>(3,489,737)</u> | <u>(1,853,416)</u> | <u>556,504</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--|---------------------|-----------------------|------------------------------------|---------------------|
| | Budget | Actual | | |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ (999,339)</u> | <u>\$ (2,042,529)</u> | <u>\$ (1,043,190)</u> | <u>\$ 1,878,601</u> |
| Fund balance appropriated | <u>999,339</u> | <u>-</u> | <u>(999,339)</u> | <u>-</u> |
| Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures | <u>\$ -</u> | <u>\$ (2,042,529)</u> | <u>\$ (2,042,529)</u> | <u>\$ 1,878,601</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | | |
| Excess of revenues and other financing sources over (under) expenditures | | \$ (2,042,529) | | \$ 1,878,601 |
| Reconciling items: | | | | |
| Debt service - principal | | 938,601 | | 877,098 |
| Lease proceeds | | - | | (145,000) |
| Capital outlay | | 52,870 | | 151,396 |
| Depreciation | | (414,145) | | (361,072) |
| Increase (decrease) in notes receivable | | (7,242,083) | | 899,472 |
| (Increase) decrease in accrued liabilities: | | | | |
| Accrued vacation | | 1,757 | | (2,318) |
| Accrued interest | | 2,971 | | 3,507 |
| Accrued OPEB Liability | | (27,553) | | (28,471) |
| Consolidated activity: | | | | |
| Water Capital Project Fund: | | | | |
| Sales tax refunds | | - | | 4,063 |
| Non-capitalized projects closed to Water Fund | | - | | (54,050) |
| Transfers (to) from Water Fund | | - | | (39,000) |
| Transfers (to) from Capital Reserve Utilities Fund | | - | | (5,867) |
| Utilities Capital Reserve Fund: | | | | |
| Transfers (to) from Water Fund | | 44,600 | | 44,600 |
| Transfers (to) from Water Capital Project Fund | | - | | 5,867 |
| Rate Stabilization Fund: | | | | |
| Tapping fee revenues | | - | | 140,000 |
| Investment earnings | | 24 | | 72 |
| Transfers (to) from Water Fund | | <u>1,955,114</u> | | <u>-</u> |
| Total reconciling items | | <u>(4,687,844)</u> | | <u>1,490,297</u> |
| Change in net position | | <u>\$ (6,730,373)</u> | | <u>\$ 3,368,898</u> |

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

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

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Operating revenues | | | | |
| Charges for services | | | | |
| Sewer Charges | \$ 4,236,400 | \$ 4,416,160 | \$ 179,760 | \$ 4,131,867 |
| Sewer surcharges | 15,000 | 15,793 | 793 | 17,667 |
| Debt setoff - water charges | 10,000 | 11,447 | 1,447 | 19,028 |
| Bad debts recovery | 10,000 | 9,217 | (783) | 12,434 |
| Tapping | 4,000 | 7,533 | 3,533 | 4,188 |
| Reconnection | 50,000 | 50,436 | 436 | 49,977 |
| Code violations | 3,800 | 8,825 | 5,025 | 4,550 |
| Set up charges | 25,000 | 26,496 | 1,496 | 24,497 |
| Fog compliance monitoring | 7,500 | 8,873 | 1,373 | 8,499 |
| Past due charges | 176,000 | 159,856 | (16,144) | 173,376 |
| Total | <u>4,537,700</u> | <u>4,714,636</u> | <u>176,936</u> | <u>4,446,083</u> |
| Other operating revenues | | | | |
| Sale of materials | - | - | - | 2,717 |
| Miscellaneous | 100 | 1,559 | 1,459 | 426 |
| Total | <u>100</u> | <u>1,559</u> | <u>1,459</u> | <u>3,143</u> |
| Total operating revenues | <u>4,537,800</u> | <u>4,716,195</u> | <u>178,395</u> | <u>4,449,226</u> |
| Non-operating revenues | | | | |
| Interest on investments | 1,000 | 1,379 | 379 | 2,027 |
| Sale of assets | - | 3,155 | 3,155 | - |
| Vance County | 155,600 | 144,218 | (11,382) | 150,055 |
| Total non-operating revenues | <u>156,600</u> | <u>148,752</u> | <u>(7,848)</u> | <u>152,082</u> |
| Total revenues | <u>4,694,400</u> | <u>4,864,947</u> | <u>170,547</u> | <u>4,601,308</u> |
| EXPENDITURES | | | | |
| Water Reclamation Facility | | | | |
| Salaries and employee benefits | 886,400 | 834,502 | 51,898 | 856,695 |
| Supplies | 372,650 | 312,399 | 60,251 | 277,622 |
| Telephone | 15,250 | 14,637 | 613 | 14,165 |
| Utilities | 332,000 | 329,531 | 2,469 | 329,179 |
| Bad debt expense | - | - | - | - |
| Insurance | 53,200 | 48,134 | 5,066 | 48,995 |
| Contracted Services | 194,050 | 188,425 | 5,625 | 185,289 |
| Maintenance | 386,950 | 296,209 | 90,741 | 260,447 |
| Capital outlay | 57,500 | 57,470 | 30 | - |
| Capital outlay - noncapital | 4,600 | 523 | 4,077 | 4,391 |

CITY OF HENDERSON, NORTH CAROLINA

Sewer Fund

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

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| Lease purchase | \$ - | \$ - | \$ - | \$ 17,696 |
| Other expenses | 23,900 | 18,686 | 5,214 | 18,155 |
| Total | <u>2,326,500</u> | <u>2,100,516</u> | <u>225,984</u> | <u>2,012,634</u> |
| Sewer Collection Operations | | | | |
| Salaries and employee benefits | 181,300 | 170,281 | 11,019 | 144,100 |
| Supplies | 26,300 | 17,416 | 8,884 | 16,688 |
| Telephone | 3,000 | 2,148 | 852 | 2,248 |
| Utilities | 19,600 | 15,653 | 3,947 | 13,182 |
| Insurance | 17,830 | 13,677 | 4,153 | 17,844 |
| Contracted services | 22,100 | 8,035 | 14,065 | 17,232 |
| Reimbursement - Utility policy | 1,800 | 1,741 | 59 | 1,367 |
| Maintenance | 71,600 | 35,888 | 35,712 | 41,871 |
| Sewer line repairs | 19,800 | 16,467 | 3,333 | 13,271 |
| Sewer taps | 6,000 | 203 | 5,797 | - |
| Capital outlay | 95,078 | 77,717 | 17,361 | 60,769 |
| Capital outlay - noncapital | 11,022 | 11,022 | - | 3,000 |
| Other expenses | 13,800 | 10,250 | 3,550 | 9,863 |
| Total | <u>489,230</u> | <u>380,498</u> | <u>108,732</u> | <u>341,435</u> |
| Sewer I & I Operations | | | | |
| Salaries and employee benefits | 111,100 | 102,090 | 9,010 | 97,625 |
| Supplies | 20,500 | 11,869 | 8,631 | 12,724 |
| Insurance | 18,300 | 13,265 | 5,035 | 13,076 |
| Contracted services | 22,700 | 19,642 | 3,058 | 8,250 |
| Maintenance | 13,900 | 3,366 | 10,534 | 6,309 |
| Capital outlay | 100,000 | 24,809 | 75,191 | - |
| Capital outlay - noncapital | - | - | - | 3,100 |
| Lease purchase | - | - | - | 17,002 |
| Other expenses | 7,500 | 5,038 | 2,462 | 4,424 |
| Total | <u>294,000</u> | <u>180,079</u> | <u>113,921</u> | <u>162,510</u> |
| Non-departmental | | | | |
| Retiree insurance | 30,100 | 21,443 | 8,657 | 22,968 |
| Workers' compensation insurance | 1,250 | 1,243 | 7 | 457 |
| Vacation and comp. time payout | 6,800 | - | 6,800 | - |
| Reserve for bad debt | 105,000 | 118,993 | (13,993) | - |
| Insurance reserve | 820 | - | 820 | 15,173 |
| Contracted services - pay study | 11,000 | 4,310 | 6,690 | - |
| Contingency | 25,000 | - | 25,000 | - |
| Total | <u>179,970</u> | <u>145,989</u> | <u>33,981</u> | <u>38,598</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--|--------------------|-------------------|------------------------------------|--------------------|
| | Budget | Actual | | |
| Debt Service | | | | |
| Lease purchase payments | \$ 65,447 | \$ 65,438 | \$ 9 | \$ - |
| Interest and fees | 38,430 | 38,428 | 2 | 40,807 |
| Principal | 349,882 | 339,798 | 10,084 | 314,905 |
| Total | <u>453,759</u> | <u>443,664</u> | <u>10,095</u> | <u>355,712</u> |
| Total expenditures | <u>3,743,459</u> | <u>3,250,746</u> | <u>492,713</u> | <u>2,910,889</u> |
| Excess of revenues over (under) expenditures | <u>950,941</u> | <u>1,614,201</u> | <u>(322,166)</u> | <u>1,690,419</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (to) from other funds: | | | | |
| General Fund | (402,800) | (252,800) | 150,000 | (402,800) |
| Sewer Capital Project Fund | - | - | - | 1,164 |
| Water Fund | (531,141) | (531,141) | - | (585,504) |
| Capital Reserve Utilities Fund | (77,800) | (77,800) | - | (77,800) |
| Rate Stabilization Fund | (64,200) | (64,200) | - | (264,200) |
| Lease proceeds | - | - | - | 150,000 |
| Total other financing sources | <u>(1,075,941)</u> | <u>(925,941)</u> | <u>150,000</u> | <u>(1,179,140)</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>(125,000)</u> | <u>688,260</u> | <u>813,260</u> | <u>511,279</u> |
| Fund balance appropriated | <u>125,000</u> | <u>-</u> | <u>(125,000)</u> | <u>-</u> |
| Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures | <u>\$ -</u> | <u>\$ 688,260</u> | <u>\$ 688,260</u> | <u>\$ 511,279</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--|--------|-------------------|------------------------------------|-------------------|
| | Budget | Actual | | |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | | |
| Excess of revenues and other financing sources over (under) expenditures | | \$ 688,260 | | \$ 511,279 |
| Reconciling items: | | | | |
| Debt service - principal | | 402,584 | | 347,447 |
| Lease proceeds | | - | | (150,000) |
| Capital outlay | | 159,996 | | 60,769 |
| Depreciation | | (752,905) | | (707,498) |
| Increase (decrease) in inventory | | (1,400) | | 1,608 |
| (Increase) decrease in accrued liabilities: | | | | |
| Accrued vacation | | (8,659) | | (4,099) |
| Accrued interest | | 464 | | 2,025 |
| Accrued OPEB Liability | | (35,179) | | (35,818) |
| Consolidated activity: | | | | |
| Sewer Capital Project Fund: | | | | |
| Sales tax refunds | | 7,607 | | 7,220 |
| Non-capitalized projects closed to Sewer Fund | | - | | (50,000) |
| Capital contributions received | | 383,430 | | 308,044 |
| Transfers (to) from Sewer Fund | | - | | (1,164) |
| Transfers (to) from other funds | | 36,000 | | 192,530 |
| Capital Reserve Utilities Fund | | | | |
| Investment earnings | | 268 | | 170 |
| Acreage charge revenues | | 915 | | 1,140 |
| Transfers (to) from Sewer Fund | | 77,800 | | 77,800 |
| Transfers (to) from other funds | | (36,000) | | (89,170) |
| Rate Stabilization Fund | | | | |
| Transfers (to) from Sewer Fund | | 64,200 | | 264,200 |
| Transfers (to) from other funds | | - | | (103,360) |
| Total reconciling items | | <u>299,121</u> | | <u>121,844</u> |
| Change in net position | | <u>\$ 987,381</u> | | <u>\$ 633,123</u> |

CITY OF HENDERSON, NORTH CAROLINA
Regional Water System Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---------------------------------|------------------|------------------|---|------------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Operating revenues | | | | |
| Charges for services | | | | |
| Water charges | \$ 4,395,000 | \$ 4,209,096 | \$ (185,904) | \$ 4,278,652 |
| Other operating revenues | | | | |
| Miscellaneous | 7,000 | 12,499 | 5,499 | 5,885 |
| Total operating revenues | <u>4,402,000</u> | <u>4,221,595</u> | <u>(180,405)</u> | <u>4,284,537</u> |
| Non-operating revenues | | | | |
| Interest on investments | 3,000 | 4,111 | 1,111 | 4,138 |
| Sale of assets | - | - | - | 857 |
| Total non-operating revenues | <u>3,000</u> | <u>4,111</u> | <u>1,111</u> | <u>4,995</u> |
| Total revenues | <u>4,405,000</u> | <u>4,225,706</u> | <u>(179,294)</u> | <u>4,289,532</u> |
| EXPENDITURES | | | | |
| Regional Water Plant | | | | |
| Salaries and employee benefits | 639,000 | 608,815 | 30,185 | 568,906 |
| Supplies | 465,700 | 401,703 | 63,997 | 500,806 |
| Telephone | 6,600 | 4,868 | 1,732 | 5,589 |
| Utilities | 421,000 | 385,730 | 35,270 | 379,415 |
| Insurance | 39,350 | 34,308 | 5,042 | 32,579 |
| Contracted services | 269,976 | 253,697 | 16,279 | 375,188 |
| Maintenance | 160,200 | 142,910 | 17,290 | 114,493 |
| Capital outlay - maintenance | - | - | - | 32,296 |
| Capital outlay | 68,000 | 67,629 | 371 | 31,354 |
| Capital outlay - noncapital | 9,900 | 9,748 | 152 | 52,660 |
| Lease purchase | - | - | - | 55,962 |
| Other expenses | 30,700 | 20,013 | 10,687 | 19,843 |
| Total | <u>2,110,426</u> | <u>1,929,421</u> | <u>181,005</u> | <u>2,169,091</u> |
| Non-departmental | | | | |
| Retiree insurance | 23,900 | 22,698 | 1,202 | 19,123 |
| Workers' compensation insurance | 5,970 | 565 | 5,405 | 4,599 |
| Vacation and comp. time payout | 6,000 | - | 6,000 | - |
| Insurance reserve | 6,780 | - | 6,780 | 6,100 |
| Contracted services - pay study | 6,600 | 967 | 5,633 | - |
| Contingency | 30,000 | - | 30,000 | - |
| Total | <u>79,250</u> | <u>24,230</u> | <u>55,020</u> | <u>29,822</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|--|------------------------|------------------------|---|------------------------|
| | Budget | Actual | | |
| Debt Service | | | | |
| Interest and fees | \$ 169,501 | \$ 161,343 | \$ 8,158 | \$ 109,375 |
| Principal | 742,823 | 683,900 | 58,923 | 1,047,743 |
| Total | <u>912,324</u> | <u>845,243</u> | <u>67,081</u> | <u>1,157,118</u> |
| Total expenditures | <u>3,102,000</u> | <u>2,798,894</u> | <u>303,106</u> | <u>3,356,031</u> |
| Excess of revenues over (under) expenditures | <u>1,303,000</u> | <u>1,426,812</u> | <u>(482,400)</u> | <u>933,501</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (to) from other funds: | | | | |
| General Fund | (225,000) | (219,200) | 5,800 | (225,000) |
| Water Fund | (96,000) | (96,000) | - | (96,000) |
| Regional Water System Capital Project Fund | (182,000) | (182,000) | - | (38,000) |
| Regional Water Reserve Fund | (825,000) | (618,750) | 206,250 | (669,000) |
| Total other financing sources | <u>(1,328,000)</u> | <u>(1,115,950)</u> | <u>212,050</u> | <u>(1,028,000)</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>(25,000)</u> | <u>310,862</u> | <u>335,862</u> | <u>(94,499)</u> |
| Fund balance appropriated | <u>25,000</u> | <u>-</u> | <u>(25,000)</u> | <u>-</u> |
| Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures | <u>\$ -</u> | <u>\$ 310,862</u> | <u>\$ 310,862</u> | <u>\$ (94,499)</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | <u>2014</u> | | Variance Positive (Negative) | <u>2013 Actual</u> |
|--|---------------|---------------------|---|------------------------|
| | <u>Budget</u> | <u>Actual</u> | | |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | | |
| Excess of revenues and other financing sources over (under) expenditures | | \$ 310,862 | | \$ (94,499) |
| Reconciling items: | | | | |
| Debt service - principal | | 683,900 | | 1,101,944 |
| Capital outlay | | 67,629 | | 63,650 |
| Depreciation | | (477,880) | | (482,601) |
| Increase (decrease) in inventory | | (31,950) | | 30,751 |
| (Increase) decrease in accrued liabilities: | | | | |
| Accrued vacation | | 1,686 | | 6,721 |
| Accrued interest | | (13,646) | | 9,182 |
| Accrued OPEB Liability | | (19,687) | | (19,076) |
| Consolidated activity: | | | | |
| Regional Water System Capital Project Fund | | | | |
| Investment earnings | | 46 | | 202 |
| Sales tax refunds | | - | | 1 |
| Transfers (to) from Regional Water System Fund | | 182,000 | | 38,000 |
| Regional Water Reserve Fund | | | | |
| Investment earnings | | 94 | | 508 |
| Transfers (to) from Regional Water System Fund | | <u>618,750</u> | | <u>669,000</u> |
| Total reconciling items | | <u>1,010,942</u> | | <u>1,418,282</u> |
| Change in net position | | <u>\$ 1,321,804</u> | | <u>\$ 1,323,783</u> |

CITY OF HENDERSON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|------------------|---------------------------|----------|--------------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| REVENUES | | | | | | |
| Sales tax refunds | \$ 582 | \$ 3,542 | \$ - | \$ - | \$ 3,542 | \$ 2,960 |
| Total revenues | 582 | 3,542 | - | - | 3,542 | 2,960 |
| EXPENDITURES | | | | | | |
| Capital Outlay: | | | | | | |
| 2" Water Line Replacement | | | | | | |
| Permit Fees | 2,200 | 2,110 | (360) | - | 1,750 | 450 |
| Admin. / Closing fee | 37,971 | - | 37,971 | - | 37,971 | - |
| Legal / Admin. | 5,800 | 133 | 1,111 | - | 1,244 | 4,556 |
| Engineering | 36,000 | 28,252 | 2,420 | - | 30,672 | 5,328 |
| Construction | 1,732,940 | - | 1,105,819 | - | 1,105,819 | 627,121 |
| Contingency | 83,660 | - | - | - | - | 83,660 |
| Total | 1,898,571 | 30,495 | 1,146,961 | - | 1,177,456 | 721,115 |
| Radio Read Water Meter Purchase | | | | | | |
| Admin. / Closing fee | 5,879 | 5,879 | - | - | 5,879 | - |
| Water meter replacement | 288,049 | 251,730 | 36,319 | - | 288,049 | - |
| Total | 293,928 | 257,609 | 36,319 | - | 293,928 | - |
| Beckford Dr./Hwy 158 Water Ext. | | | | | | |
| Legal / Admin. | 1,082 | 252 | 830 | - | 1,082 | - |
| Engineering | 47,000 | 9,400 | 37,600 | - | 47,000 | - |
| Total | 48,082 | 9,652 | 38,430 | - | 48,082 | - |
| Total expenditures | 2,240,581 | 297,756 | 1,221,710 | - | 1,519,466 | 721,115 |
| Excess of revenues over (under) expenditures | (2,239,999) | (294,214) | (1,221,710) | - | (1,515,924) | 724,075 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| 2" Water Line Replacement | | | | | | |
| Loan proceeds - DWSRF | 1,898,571 | - | 1,154,544 | - | 1,154,544 | (744,027) |
| Radio Read Water Meter Purchase | | | | | | |
| Loan proceeds - DWSRF | 293,928 | 257,609 | 36,319 | - | 293,928 | - |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|------------------|---------------------------|-------------|--------------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| Beckford Dr./Hwy 158 Water Ext. Transfer from Cap. Res. Utilities | \$ 47,500 | \$ 47,500 | \$ - | \$ - | \$ 47,500 | \$ - |
| Total other financing sources (uses) | <u>2,239,999</u> | <u>305,109</u> | <u>1,190,863</u> | <u>-</u> | <u>1,495,972</u> | <u>(744,027)</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 10,895</u> | <u>(30,847)</u> | <u>\$ -</u> | <u>\$ (19,952)</u> | <u>\$ (19,952)</u> |
| FUND BALANCE – Beginning | | | <u>10,895</u> | | | |
| FUND BALANCE – Ending | | | <u>\$ (19,952)</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, 2014

| | Project Author- ization | Actual | | | Variance Positive (Negative) | |
|-------------------------------|-------------------------------|--------------|---------------------------|--------|------------------------------------|---------------|
| | | Current Year | | | | |
| | | Prior Years | Revenues/ Expenditures | Closed | | Total to Date |
| REVENUES | | | | | | |
| HWRF Improvements | | | | | | |
| Restricted intergovernmental | | | | | | |
| CWSRF principal forgiveness | \$ 1,000,000 | \$ - | \$ - | \$ - | \$ - | \$(1,000,000) |
| NC CWMTF grant | 600,000 | - | - | - | - | (600,000) |
| Total | 1,600,000 | - | - | - | - | (1,600,000) |
| Sanitary Sewer Rehabilitation | | | | | | |
| Restricted intergovernmental | | | | | | |
| CWSRF principal forgiveness | 500,000 | 308,044 | 186,347 | - | 494,391 | (5,609) |
| NC Rural Center grant | 110,334 | - | - | - | - | (110,334) |
| Sales tax refunds | - | - | 7,607 | - | 7,607 | 7,607 |
| Total | 610,334 | 308,044 | 193,954 | - | 501,998 | (108,336) |
| Sandy Creek Pump Station Imp. | | | | | | |
| Restricted intergovernmental | | | | | | |
| CWSRF principal forgiveness | 848,437 | - | 197,083 | - | 197,083 | (651,354) |
| Investment income | | | | | | |
| | - | 16,675 | - | - | 16,675 | 16,675 |
| Sales tax refunds | | | | | | |
| | - | 41,468 | - | - | 41,468 | 41,468 |
| Total revenues | 3,058,771 | 366,187 | 391,037 | - | 757,224 | (4,009,883) |
| EXPENDITURES | | | | | | |
| Capital Outlay: | | | | | | |
| Newton Dairy Pump Project | | | | | | |
| Professional Services | 1,000 | - | - | - | - | 1,000 |
| Right-A-Way | 21,000 | - | - | - | - | 21,000 |
| Engineering | 25,900 | 17,283 | - | - | 17,283 | 8,617 |
| Total | 47,900 | 17,283 | - | - | 17,283 | 30,617 |
| HWRF Improvements | | | | | | |
| Legal/Admin | 5,000 | 3,958 | 701 | - | 4,659 | 341 |
| Engineering | 1,193,420 | 1,008,844 | 68,079 | - | 1,076,923 | 116,497 |
| Construction / Admin | 16,187,553 | 1,179,483 | 9,133,592 | - | 10,313,075 | 5,874,478 |
| Closing Fee - Grant / Loan | 367,300 | 342,300 | - | - | 342,300 | 25,000 |
| Land acquisition | 27,000 | - | 26,985 | - | 26,985 | 15 |
| Contingency | 438,087 | 26,985 | (26,985) | - | - | 438,087 |
| Total | 18,218,360 | 2,561,570 | 9,202,372 | - | 11,763,942 | 6,454,418 |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|--------------------|---------------------------|----------|---------------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| Sanitary Sewer Rehabilitation | | | | | | |
| Engineering | \$ 161,300 | \$ 111,797 | \$ 43,461 | \$ - | \$ 155,258 | \$ 6,042 |
| Legal/Admin | 2,700 | 318 | 302 | - | 620 | 2,080 |
| Construction | 946,334 | 823,124 | 119,108 | - | 942,232 | 4,102 |
| SRF Closing Fee | 20,000 | 20,000 | - | - | 20,000 | - |
| Total | 1,130,334 | 955,239 | 162,871 | - | 1,118,110 | 12,224 |
| Elmwood Cemetery Outfall | | | | | | |
| Planning and design | 98,000 | - | 44,100 | - | 44,100 | 53,900 |
| Legal/Admin | 2,500 | - | 1,126 | - | 1,126 | 1,374 |
| Engineering | 27,600 | 999 | 18,301 | - | 19,300 | 8,300 |
| Construction | 1,531,950 | - | - | - | - | 1,531,950 |
| SRF Closing Fee | 36,000 | - | - | - | - | 36,000 |
| Contingency | 159,250 | - | - | - | - | 159,250 |
| Total | 1,855,300 | 999 | 63,527 | - | 64,526 | 1,790,774 |
| Sandy Creek Pump Station Imp. | | | | | | |
| Engineering and Geotechnical | 143,100 | 85,970 | 42,481 | - | 128,451 | 14,649 |
| Legal/Admin | 2,500 | 250 | 621 | - | 871 | 1,629 |
| Geotechnical | 22,000 | - | 1,577 | - | 1,577 | 20,423 |
| Construction | 1,477,594 | - | 264,930 | - | 264,930 | 1,212,664 |
| SRF Closing Fee | 34,000 | - | 33,937 | - | 33,937 | 63 |
| Contingency | 69,880 | - | - | - | - | 69,880 |
| Total | 1,749,074 | 86,220 | 343,546 | - | 429,766 | 1,319,308 |
| Total expenditures | 23,000,968 | 3,621,311 | 9,772,316 | - | 13,393,627 | 9,607,341 |
| Excess of revenues over (under) expenditures | (19,942,197) | (3,255,124) | (9,381,279) | - | (12,636,403) | 7,305,794 |
| 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 | 1,343,408 | 9,979,428 | - | 11,322,836 | (4,792,164) |
| 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 | 1,846,768 | 9,979,428 | - | 11,826,196 | (4,792,164) |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|---|-------------------------------|---------------------|---------------------------|-------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| Sanitary Sewer Rehabilitation | | | | | | |
| Loan proceeds - CWSRF | \$ 500,000 | \$ 308,044 | \$ 186,347 | \$ - | \$ 494,391 | \$ (5,609) |
| Transfer from Sewer Fund | 20,000 | 20,000 | - | - | 20,000 | - |
| Total | 520,000 | 328,044 | 186,347 | - | 514,391 | (5,609) |
| Elmwood Cemetery Outfall | | | | | | |
| Loan proceeds - CWSRF | 1,800,000 | - | - | - | - | (1,800,000) |
| Transfer from Cap. Res. Utilities | 55,300 | 19,300 | 36,000 | - | 55,300 | - |
| Total | 1,855,300 | 19,300 | 36,000 | - | 55,300 | (1,800,000) |
| Sandy Creek Pump Station Imp. | | | | | | |
| Loan proceeds - CWSRF | 848,437 | - | 197,083 | - | 197,083 | (651,354) |
| Transfer from Cap. Res. Utilities | 52,200 | 52,200 | - | - | 52,200 | - |
| Total | 900,637 | 52,200 | 197,083 | - | 249,283 | (651,354) |
| Loan discount | - | 6,506 | - | - | 6,506 | 6,506 |
| Other | - | 1,448 | - | - | 1,448 | 1,448 |
| Total other financing sources (uses) | 19,942,197 | 2,302,166 | 10,398,858 | - | 12,701,024 | (7,241,173) |
| Excess of revenues and other financing sources over (under) expenditures | \$ - | \$ (952,958) | 1,017,579 | \$ - | \$ 64,621 | \$ 64,621 |
| FUND BALANCE – Beginning | | | (952,958) | | | |
| FUND BALANCE – Ending | | | \$ 64,621 | | | |

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, 2014

| | Project Author- ization | Actual | | | | Variance Positive (Negative) |
|----------------------------|-------------------------------|-------------|---------------------------|--------|---------------|------------------------------------|
| | | Prior Years | Current Year | | Total to Date | |
| | | | Revenues/ Expenditures | Closed | | |
| REVENUES | | | | | | |
| 20MGD Expansion | | | | | | |
| Investment income | \$ 198,560 | \$ 198,918 | \$ 8 | \$ - | \$ 198,926 | \$ 366 |
| Sales tax refunds | 175,300 | 175,300 | - | - | 175,300 | - |
| Total | 373,860 | 374,218 | 8 | - | 374,226 | 366 |
| KLRW Interbasin Transfer | | | | | | |
| Investment income | 12 | 50 | 26 | - | 76 | 64 |
| Warren Co. Meter Location | | | | | | |
| Investment income | 100 | 21 | 12 | - | 33 | (67) |
| Total revenues | 373,972 | 374,289 | 46 | - | 374,335 | 729 |
| EXPENDITURES | | | | | | |
| Capital Outlay: | | | | | | |
| 20MGD Expansion | | | | | | |
| Engineering | 1,088,556 | 1,078,588 | - | - | 1,078,588 | 9,968 |
| Planning/design | 13,636 | 13,636 | - | - | 13,636 | - |
| Contingency | 52,750 | - | - | - | - | 52,750 |
| Legal/Admin | 62,622 | 60,672 | - | - | 60,672 | 1,950 |
| Total | 1,217,564 | 1,152,896 | - | - | 1,152,896 | 64,668 |
| KLRW Interbasin Transfer | | | | | | |
| Engineering | 617,911 | 456,387 | 48,997 | - | 505,384 | 112,527 |
| Planning/design | 119,988 | 119,988 | - | - | 119,988 | - |
| Contingency | 53,877 | - | - | - | - | 53,877 |
| Professional services | 79,224 | 31,341 | 932 | - | 32,273 | 46,951 |
| Total | 871,000 | 607,716 | 49,929 | - | 657,645 | 213,355 |
| Warren Co. Meter Location | | | | | | |
| Engineering | 3,000 | - | 3,000 | - | 3,000 | - |
| Legal/Admin | 1,100 | 365 | 110 | - | 475 | 625 |
| Construction | 108,000 | 3,000 | 100,682 | - | 103,682 | 4,318 |
| Total | 112,100 | 3,365 | 103,792 | - | 107,157 | 4,943 |
| KLRWP High Speed Eff. Pump | | | | | | |
| Engineering | 67,000 | 7,393 | 24,766 | - | 32,159 | 34,841 |
| Contingency | 69,420 | - | - | - | - | 69,420 |
| Legal/Admin | 9,000 | 300 | 1,285 | - | 1,585 | 7,415 |
| Construction | 961,000 | - | - | - | - | 961,000 |
| SRF Closing Fee | 22,580 | - | 22,580 | - | 22,580 | - |
| Total | 1,129,000 | 7,693 | 48,631 | - | 56,324 | 1,072,676 |

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, 2014

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ 144,000 |
| Total expenditures | 3,473,664 | 1,771,670 | 202,352 | - | 1,974,022 | 1,499,642 |
| Excess of revenues over (under) expenditures | <u>(3,099,692)</u> | <u>(1,397,381)</u> | <u>(202,306)</u> | <u>-</u> | <u>(1,599,687)</u> | <u>1,500,005</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 | 345,988 | 307,988 | 38,000 | - | 345,988 | - |
| Transfer from Cap. Res. IBT | 525,000 | 525,000 | - | - | 525,000 | - |
| Total | 870,988 | 832,988 | 38,000 | - | 870,988 | - |
| Warren Co. Meter Location | | | | | | |
| Transfer from Regional Water | 100,000 | 100,000 | - | - | 100,000 | - |
| Fund balance appropriated | 12,000 | - | - | - | - | (12,000) |
| Total | 112,000 | 100,000 | - | - | 100,000 | (12,000) |
| KLRWP High Speed Eff. Pump | | | | | | |
| Loan proceeds - DWSRF | 1,129,000 | - | - | - | - | (1,129,000) |
| Containment Wall at KLRW Plant | | | | | | |
| Transfer from Regional Water | 144,000 | - | 144,000 | - | 144,000 | - |
| Total other financing sources (uses) | <u>3,099,692</u> | <u>1,776,692</u> | <u>182,000</u> | <u>-</u> | <u>1,958,692</u> | <u>(1,141,000)</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 379,311</u> | <u>(20,306)</u> | <u>\$ -</u> | <u>\$ 359,005</u> | <u>\$ 359,005</u> |
| FUND BALANCE – Beginning | | | <u>379,311</u> | | | |
| FUND BALANCE – Ending | | | <u>\$ 359,005</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|------------------|-------------------|---|------------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Capital Reserve - Sewer | | | | |
| Investment earnings | \$ 45 | \$ 268 | \$ 223 | \$ 170 |
| Acreage charges | - | 915 | 915 | 1,140 |
| Total revenues | <u>45</u> | <u>1,183</u> | <u>1,138</u> | <u>1,310</u> |
| EXPENDITURES | | | | |
| Capital Reserve - Water | 55,600 | - | 55,600 | - |
| Capital Reserve - Sewer | <u>117,800</u> | <u>-</u> | <u>117,800</u> | <u>-</u> |
| Total expenditures | <u>173,400</u> | <u>-</u> | <u>173,400</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | <u>(173,355)</u> | <u>1,183</u> | <u>174,538</u> | <u>1,310</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Reserve - Water | | | | |
| Transfer (to) from other fund: | | | | |
| Water Fund | 44,600 | 44,600 | - | 44,600 |
| Water Capital Project Fund | - | - | - | 5,867 |
| Fund balance appropriated | 11,000 | - | (11,000) | - |
| Capital Reserve - Sewer | | | | |
| Transfer (to) from other fund: | | | | |
| Sewer Fund | 77,800 | 77,800 | - | 77,800 |
| Sewer Capital Project Fund | (36,000) | (36,000) | - | (89,170) |
| Fund balance appropriated | <u>75,955</u> | <u>-</u> | <u>(75,955)</u> | <u>-</u> |
| Total other financing sources | <u>173,355</u> | <u>86,400</u> | <u>(86,955)</u> | <u>39,097</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>87,583</u> | <u>\$ 87,583</u> | <u>40,407</u> |
| FUND BALANCE – Beginning | | <u>86,232</u> | | <u>45,825</u> |
| FUND BALANCE – Ending | | <u>\$ 173,815</u> | | <u>\$ 86,232</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013**

| | 2014 | | Variance Positive (Negative) | 2013 Actual |
|---|--------------------|---------------------|------------------------------------|---------------------|
| | Budget | Actual | | |
| REVENUES | | | | |
| Investment earnings | \$ 581 | \$ 94 | \$ (487) | \$ 508 |
| Total revenues | <u>581</u> | <u>94</u> | <u>(487)</u> | <u>508</u> |
| EXPENDITURES | | | | |
| Capital reserve | | | | |
| Regional | 224,800 | - | 224,800 | - |
| Regional COE | 54,400 | - | 54,400 | - |
| Regional 20MGD | <u>2,763,500</u> | <u>-</u> | <u>2,763,500</u> | <u>-</u> |
| Total expenditures | <u>3,042,700</u> | <u>-</u> | <u>3,042,700</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | <u>(3,042,119)</u> | <u>94</u> | <u>3,042,213</u> | <u>508</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer (to) from other fund: | | | | |
| Regional Water Fund | 825,000 | 618,750 | (206,250) | 669,000 |
| Fund balance appropriated | <u>2,217,119</u> | <u>-</u> | <u>(2,217,119)</u> | <u>-</u> |
| Total other financing sources | <u>3,042,119</u> | <u>618,750</u> | <u>(2,423,369)</u> | <u>669,000</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>618,844</u> | <u>\$ 618,844</u> | <u>\$ 669,508</u> |
| FUND BALANCE – Beginning | | <u>2,217,072</u> | | <u>1,547,564</u> |
| FUND BALANCE – Ending | | <u>\$ 2,835,916</u> | | <u>\$ 2,217,072</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, 2014, with Comparative Totals for the Fiscal Year ended June 30, 2013

| | <u>2014</u> | | Variance Positive (Negative) | 2013 Actual |
|---|--------------------|---------------------|---|------------------------|
| | <u>Budget</u> | <u>Actual</u> | | |
| REVENUES | | | | |
| Rate Stabilization - Water | | | | |
| Tap fee - Vance County | \$ - | \$ - | \$ - | \$ 140,000 |
| Investment earnings | <u>30,547</u> | <u>24</u> | <u>(30,523)</u> | <u>72</u> |
| Rate Stabilization - Sewer | | | | |
| Investment earnings | <u>60</u> | <u>-</u> | <u>(60)</u> | <u>-</u> |
| Total revenues | <u>30,607</u> | <u>24</u> | <u>(30,583)</u> | <u>140,072</u> |
| EXPENDITURES | | | | |
| Rate Stabilization - Water | | | | |
| 20MGD Water Plant Expansion | 3,086,800 | - | 3,086,800 | - |
| Rate Stabilization - Sewer | | | | |
| HWRP Upgrade Project | <u>338,900</u> | <u>-</u> | <u>338,900</u> | <u>-</u> |
| Total expenditures | <u>3,425,700</u> | <u>-</u> | <u>3,425,700</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | <u>(3,395,093)</u> | <u>24</u> | <u>3,395,117</u> | <u>140,072</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Rate Stabilization - Water | | | | |
| Transfer (to) from Water Fund | 1,955,114 | 1,955,114 | - | - |
| Fund balance appropriated | 1,101,139 | - | (1,101,139) | - |
| Rate Stabilization - Sewer | | | | |
| Transfer (to) from other fund: | | | | |
| Sewer Fund | 64,200 | 64,200 | - | 264,200 |
| CIP Sewer Fund | - | - | - | (103,360) |
| Fund balance appropriated | <u>274,640</u> | <u>-</u> | <u>(274,640)</u> | <u>-</u> |
| Total other financing sources | <u>3,395,093</u> | <u>2,019,314</u> | <u>(1,375,779)</u> | <u>160,840</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>2,019,338</u> | <u>\$ 2,019,338</u> | <u>300,912</u> |
| FUND BALANCE – Beginning | | <u>1,364,851</u> | | <u>1,063,939</u> |
| FUND BALANCE – Ending | | <u>\$ 3,384,189</u> | | <u>\$ 1,364,851</u> |

CITY OF HENDERSON, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2013</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2014</u> |
|--|--|---------------------|------------------------------------|--|
| 2013-2014 | \$ - | \$ 6,251,938 | \$ 5,994,922 | \$ 257,016 |
| 2012-2013 | 371,581 | - | 188,318 | 183,263 |
| 2011-2012 | 141,053 | - | 82,695 | 58,358 |
| 2010-2011 | 74,724 | - | 40,699 | 34,025 |
| 2009-2010 | 37,877 | - | 17,054 | 20,823 |
| 2008-2009 | 65,453 | - | 19,696 | 45,757 |
| 2007-2008 | 20,531 | - | 3,516 | 17,015 |
| 2006-2007 | 18,964 | - | 2,002 | 16,962 |
| 2005-2006 | 17,130 | - | 1,166 | 15,964 |
| 2004-2005 | 24,517 | - | 5,856 | 18,661 |
| 2003-2004 | 14,197 | - | 14,197 | - |
| | <u>\$ 786,027</u> | <u>\$ 6,251,938</u> | <u>\$ 6,370,121</u> | 667,844 |
| | | | | Less: allowance for uncollectible accounts: <u>(170,000)</u> |
| | | | | Ad Valorem taxes receivable – net <u>\$ 497,844</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| | | | | Ad valorem taxes - General Fund \$ 6,427,962 |
| | | | | Reconciling items: |
| | | | | Interest collected (106,458) |
| | | | | Collections of previously written off taxes 19 |
| | | | | Taxes written off 1,593 |
| | | | | Releases <u>47,005</u> |
| | | | | Total collections and credits <u>\$ 6,370,121</u> |

CITY OF HENDERSON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2014

| | City - Wide | | Total Levy | | | |
|---|------------------------|--------------|--|---------------------------------|-----------|----------------|
| | | | Property exclusing Registered Motor Vehicles | Registered Motor Vehicles | | |
| | Property Valuation | Rate | Total Levy | | | |
| Original levy: | | | | | | |
| Property taxed at current year's rate | \$ 985,572,318 | 0.620 | \$ 6,110,551 | \$ 5,640,578 | \$ | 469,973 |
| Motor vehicles taxed at prior year's rate | 28,543,148 | 0.585 | 166,980 | - | | 166,980 |
| Penalties | - | | 10,569 | 10,569 | | - |
| Total | <u>1,014,115,466</u> | | <u>6,288,100</u> | <u>5,651,147</u> | | <u>636,953</u> |
| Discoveries: | | | | | | |
| Current year taxes | 1,861,140 | 0.620 | 11,539 | 11,460 | | 79 |
| Prior year taxes | 4,664,307 | 0.585 | 27,174 | 26,408 | | 766 |
| Prior year taxes | 16,895 | 0.565 | 113 | 113 | | - |
| Total | <u>6,542,342</u> | | <u>38,826</u> | <u>37,981</u> | | <u>845</u> |
| Abatements | | | | | | |
| Current year taxes | (11,210,364) | 0.620 | (70,108) | (66,772) | | (3,336) |
| Prior year taxes | <u>(834,093)</u> | 0.585 | <u>(4,880)</u> | <u>-</u> | | <u>(4,880)</u> |
| Total | <u>(12,044,457)</u> | | <u>(74,988)</u> | <u>(66,772)</u> | | <u>(8,216)</u> |
| Total property valuation | <u>\$1,008,613,351</u> | | | | | |
| Net levy | | | 6,251,938 | 5,622,356 | | 629,582 |
| Less Uncollected taxes at June 30, 2014 | | | <u>257,016</u> | <u>231,379</u> | | <u>25,637</u> |
| Current year's taxes collected | | | <u>\$ 5,994,922</u> | <u>\$ 5,390,977</u> | <u>\$</u> | <u>603,945</u> |
| Current levy collection percentage | | | 95.89% | 95.88% | | 95.93% |
| Tax Rate per \$100 | | | | | | |
| General Fund | \$ | 0.620 | | | | |
| Public Library Fund | | - | | | | |
| Total | <u>\$</u> | <u>0.620</u> | | | | |

Statistical Section

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Table 1

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

| | Fiscal Year | | | | | | | | | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 a | 2013 | 2012 a | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Governmental Activities | | | | | | | | | | |
| Net investment in | | | | | | | | | | |
| capital assets | \$ 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 | \$ 14,067,229 |
| Restricted | 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 | 1,244,796 |
| Unrestricted (deficit) | <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> | <u>2,297,778</u> |
| Total | <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> | <u>\$ 17,609,803</u> |
| Business-type Activities | | | | | | | | | | |
| Net investment in | | | | | | | | | | |
| capital assets | \$ 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 | \$ 39,883,844 |
| Restricted | - | - | - | - | - | - | 225,065 | 215,715 | 238,723 | 235,148 |
| Unrestricted (deficit) | <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> | <u>4,002,932</u> |
| Total | <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> | <u>\$ 44,121,924</u> |
| Primary Government | | | | | | | | | | |
| Net investment in | | | | | | | | | | |
| capital assets | \$ 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 | \$ 53,951,073 |
| Restricted | 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 | 1,479,944 |
| Unrestricted (deficit) | <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> | <u>6,300,710</u> |
| Total | <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> | <u>\$ 61,731,727</u> |

Notes

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

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 | | | | | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Governmental Activities | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| General government | \$ 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 | \$ 3,014,699 |
| Public safety | 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 | 5,362,047 |
| Planning and community dev. | 376,614 | 362,099 | 3,821,273 | - | - | - | - | - | - | - |
| Economic and physical dev. | - | - | - | 444,922 | 45,732 | 498,004 | 2,079,810 | 140,137 | 127,149 | 122,097 |
| Human Services | - | - | - | 302,533 | 267,359 | 604,768 | - | - | - | - |
| Public services | | | | | | | | | | |
| Transportation and other | 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 | 1,733,424 |
| Environmental protection | 884,873 | 830,317 | 900,391 | 900,033 | 859,341 | 1,309,976 | 1,132,792 | 972,879 | 960,518 | 1,000,729 |
| Recreation and parks | 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 | 2,552,649 |
| Local agencies and shared prog. | 966,837 | 957,131 | 983,549 | - | - | - | - | - | - | - |
| Interest on Long-Term Debt | 141,665 | 170,211 | 209,088 | 242,768 | 285,532 | 283,950 | 371,805 | 327,287 | 406,453 | 482,669 |
| Total | <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> | <u>14,268,314</u> |
| Program Revenues | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| General government | - | - | - | 306,870 | - | - | 2,156,793 | 2,060,967 | - | - |
| Public safety | 164,298 | 105,783 | 112,740 | 449,415 | 470,633 | 523,420 | 800 | 23,237 | 77,457 | 79,612 |
| Planning and community dev. | 24,540 | 13,705 | 16,115 | - | - | - | - | - | - | - |
| Economic and physical dev. | - | - | - | 15,212 | 15,805 | 16,810 | - | - | - | - |
| Public services | | | | | | | | | | |
| Transportation and other | 16,500 | 8,250 | 15,750 | - | - | - | - | - | - | - |
| Transportation and utilities | - | - | - | 437,339 | 521,671 | 572,373 | 491,781 | 515,003 | 449,676 | 418,441 |
| Environmental protection | 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 | 1,652,132 |
| Recreation and parks | 886,189 | 936,923 | 909,600 | - | - | - | - | - | - | - |
| Cultural and recreational | - | - | - | 904,876 | 1,025,485 | 1,135,797 | 132,923 | 159,531 | 144,088 | 144,616 |
| Operating Grants and Contrib. | 535,648 | 478,832 | 586,526 | 718,763 | 1,687,630 | 937,300 | 2,615,917 | 1,627,177 | 1,227,398 | 997,012 |
| Capital Grants and Contributions | 63,481 | 6,687,820 | 1,385,656 | 332,582 | - | 261,250 | 1,269,099 | 179,627 | 695,048 | 2,441,692 |
| Total | <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> | <u>5,733,505</u> |

Table 2

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

| | Fiscal Year | | | | | | | | | |
|---|-------------------|---------------------|-----------------------|-----------------------|---------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Total Governmental Activities | | | | | | | | | | |
| Net Program Expense | \$ (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) | \$ (8,534,809) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes, | | | | | | | | | | |
| levied for general purpose | \$ 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 | \$ 4,796,547 |
| Other taxes and licenses | 275,929 | 186,542 | 404,224 | 988,795 | 1,077,211 | 957,720 | 1,198,375 | 1,157,166 | 871,540 | 711,164 |
| Unrestricted Grants and Contrib. | | | | | | | | | | |
| Local option sales tax | 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 | 2,344,576 |
| Other | 918,778 | 899,158 | 898,516 | - | - | - | - | - | 15,606 | 14,094 |
| Investment earnings, unrestricted | 8,858 | 5,259 | 5,974 | 10,524 | 10,777 | 73,336 | 190,901 | 166,086 | 87,432 | 48,270 |
| Sale of capital assets | 14,842 | - | - | - | - | - | 638,280 | - | - | - |
| Miscellaneous, unrestricted | 63,719 | 163,149 | 149,921 | 204,424 | 150,800 | 94,999 | 130,237 | 39,218 | 1,276,304 | 1,282,593 |
| Transfers | 735,748 | 892,200 | 1,264,596 | (89,222) | 246,637 | (7,660) | (482,577) | 79,928 | 961,309 | 1,229,799 |
| Total | <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> | <u>10,427,043</u> |
| Total Governmental Activities | | | | | | | | | | |
| Change in Net Position | <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> | <u>\$ 1,892,234</u> |

Table 2

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Business-type Activities | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| Water, Sewer, and Regional Water System | \$ 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 | \$ 8,287,232 |
| Revenues | | | | | | | | | | |
| Charges for Services | 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 | 9,390,825 |
| Capital Grants and Contributions | 383,429 | 308,044 | 965,529 | 1,198,775 | - | - | - | - | 2,174,464 | 101,006 |
| Total | <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> | <u>9,491,831</u> |
| Total Business-type Activities Net Program Expenses | 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 | 1,204,599 |
| Other Changes in Net Position | | | | | | | | | | |
| Miscellaneous, unrestricted | 315,044 | 314,866 | 579,747 | 357,728 | 704,649 | 620,231 | 315,387 | 294,887 | 422,928 | 537,897 |
| Extraordinary events | (8,190,590) | - | - | - | - | - | - | - | - | - |
| Transfers | (735,748) | (892,200) | (1,264,596) | 89,222 | (246,637) | 7,660 | - | - | (961,309) | (1,229,799) |
| Total | <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> | <u>(691,902)</u> |
| Total Business-type Activities Change in Net Position | <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> | <u>\$ 512,697</u> |
| Total Primary Government | | | | | | | | | | |
| Changes in Net Position | <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> | <u>\$ 2,404,931</u> |

Notes
The City recharacterized its presentation of governmental activities in fiscal year 2013. The presentation of fiscal year 2012 was reclassified for comparability.

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 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| General Fund | | | | | | | | | | |
| Restricted | \$ 2,129,484 | \$ 1,973,653 | \$ 2,510,980 | \$ 2,454,942 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assigned | 325,000 | 153,000 | 259,600 | 175,008 | - | - | - | - | - | - |
| Unassigned | 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 | 2,196,659 |
| Unreserved | - | - | - | - | 1,952,743 | 2,073,596 | 2,243,368 | 1,232,149 | 808,870 | 22,268 |
| Total General Fund | <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> | <u>\$ 2,218,927</u> |
| All other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 431,012 | \$ 430,970 | \$ 430,965 | \$ 430,210 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 136,859 | 139,714 | 81,606 | 96,032 | - | - | - | - | - | - |
| Assigned | 170,564 | 158,168 | 302,826 | 204,805 | - | - | - | - | - | - |
| Unassigned | (4,356) | - | - | (27,906) | - | - | - | - | - | - |
| Reserved | - | - | - | - | 430,210 | 429,610 | 419,112 | 407,352 | 391,548 | 375,942 |
| Unreserved, reported in: | | | | | | | | | | |
| Capital Projects Funds | - | - | - | - | 249,212 | (31,104) | 209,647 | 185,434 | 258,752 | 129,007 |
| Special Revenue Funds | - | - | - | - | 58,983 | 64,607 | 96,434 | 125,157 | 99,827 | 69,530 |
| Total All Other Governmental Funds | <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> | <u>\$ 574,479</u> |
| Total for All Governmental Funds | <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> | <u>\$ 2,793,406</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 | | | | | | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 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 | \$ 4,751,719 |
| Other taxes and licenses | 275,929 | 186,542 | 404,224 | 2,496,141 | 2,328,959 | 2,482,544 | 2,654,438 | 2,251,029 | 2,429,011 | 2,344,576 |
| Unrestricted intergovernmental | 3,375,776 | 3,292,048 | 3,253,999 | 977,123 | 942,297 | 1,000,133 | 931,360 | 773,610 | 724,941 | 712,996 |
| Restricted intergovernmental | 589,000 | 464,060 | 1,858,484 | 1,019,041 | 1,648,073 | 507,059 | 572,888 | 527,811 | 557,016 | 566,308 |
| Permits and fees | 164,298 | 105,783 | 112,740 | 92,333 | 101,619 | 106,870 | 121,606 | 239,282 | 237,976 | 239,373 |
| Sales and services | 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 | 3,259,435 |
| Investment earnings | 8,858 | 5,024 | 5,974 | 10,524 | 10,777 | 70,107 | 181,623 | 154,968 | 109,763 | 52,879 |
| Miscellaneous | 88,690 | 177,921 | 153,051 | 500,645 | 496,282 | 492,953 | 2,173,266 | 1,012,085 | 696,676 | 465,020 |
| Total Revenues | <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> | <u>12,392,306</u> |
| Expenditures | | | | | | | | | | |
| General government | 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 | 1,706,300 |
| Public safety | 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 | 5,446,529 |
| Planning and community dev. | 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 | 87,050 |
| Code Compliance | - | - | - | 170,385 | 130,751 | - | - | - | - | - |
| Public services | | | | | | | | | | |
| Transportation and other | 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 | 1,639,158 |
| Cemetery | - | - | - | 69,545 | 125,267 | - | - | - | - | - |
| Environmental protection | 853,437 | 794,968 | 837,848 | 791,878 | 674,421 | 900,958 | 998,673 | 974,812 | 959,435 | 1,096,460 |
| Recreation and parks | 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 | 2,489,159 |
| Non-departmental | | | | | | | | | | |
| Donation to local agencies | 966,837 | 957,131 | 983,549 | 664,791 | 694,316 | - | - | - | - | - |
| General Non-departmental | 420,680 | 402,230 | 463,478 | 430,086 | 337,704 | 42,404 | 30,019 | 35,079 | 35,501 | 4,878 |
| Debt Service: | | | | | | | | | | |
| Principal | 647,016 | 647,016 | 654,265 | 764,141 | 745,148 | 704,857 | 794,491 | 784,413 | 741,986 | 623,929 |
| Interest | 141,781 | 172,782 | 211,659 | 226,004 | 285,532 | 304,665 | 371,805 | 355,836 | 406,453 | 482,669 |
| Lease purchases | 53,612 | 71,280 | 79,401 | - | - | - | - | - | - | - |
| Total Expenditures | <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> | <u>13,576,132</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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Excess (Deficiency) of | | | | | | | | | | |
| Revenues Over Expenditures | \$ 307,374 | \$ (583,761) | \$ (760,126) | \$ 10,872 | \$ 191,739 | \$ (490,344) | \$ 1,486,855 | \$ 378,152 | \$ (315,743) | \$ (1,183,826) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfer from other funds | 788,072 | 914,707 | 1,391,353 | 298,423 | 460,723 | 159,244 | 111,995 | 192,336 | 1,198,626 | 1,317,801 |
| Transfers to other funds | (52,324) | (14,199) | (125,257) | (327,186) | (182,086) | (355,301) | (634,608) | (260,244) | (135,191) | (140,751) |
| Installment Financing | - | - | - | 98,131 | - | 72,979 | 118,620 | 79,886 | - | 553,250 |
| Total Other Financing Sources and Uses | 735,748 | 900,508 | 1,266,096 | 69,368 | 278,637 | (123,078) | (403,993) | 11,978 | 1,063,435 | 1,730,300 |
| Net Change in Fund Balance | <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> | <u>\$ 546,474</u> |
| Total Expenditures | \$ 13,495,318 | \$ 13,263,743 | \$ 14,659,618 | \$ 14,640,413 | \$ 15,076,322 | \$ 14,911,890 | | | | |
| Less: Capital Outlay Expenditures | (214,352) | (248,376) | (1,360,687) | (671,528) | (1,013,764) | (3,738,856) | | | | |
| Total Noncapital Expenditures | <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 | 6.34% | 6.85% | 7.11% | 7.09% | 7.33% | 9.04% | 8.45% | 8.46% | 14.68% | 8.23% |

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 Ended June 30, | Real Property | Personal Property | Elderly Exemption | Total Assessed Value | Total Direct Tax Rate |
|---------------------------------------|----------------------|------------------------------|------------------------------|---------------------------------|----------------------------------|
| 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 |
| 2005 | 600,933,500 | 148,716,224 | 9,019,600 | 740,630,124 | 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>Total</u> |
|---|------------------|---------------------|--------------|
| | <u>Henderson</u> | <u>Vance County</u> | |
| 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 |
| 2005 | 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 Fund</u> | |
| 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 |
| 2005 | 0.6300 | 0.0400 | 0.6700 |

Table 7

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

| Taxpayer | 2014 | | | 2005 | | |
|---------------------------------|-----------------------|------|------------------------|----------------------|------|------------------------|
| | Taxable Assessed | Rank | Percentage of | Taxable Assessed | Rank | Percentage of |
| | Value | | Total Taxable Assessed | Value | | Total Taxable Assessed |
| DLP Maria Parham Medical Center | \$ 76,587,521 | 1 | 8.04% | \$ | | |
| Progress Energy Carolinas | 16,010,107 | 2 | 1.68% | | | |
| Carolina Telephone | 13,558,878 | 3 | 1.42% | 7,827,498 | 3 | 1.06% |
| Wal-Mart Real Estate Bus. Trust | 13,549,717 | 4 | 1.42% | 12,183,745 | 2 | 1.65% |
| Pacific Coast Feather Co. | 12,027,065 | 5 | 1.26% | | | |
| WW Properties & Rentals LLC | 11,029,025 | 6 | 1.16% | 6,512,769 | 7 | 0.88% |
| Ruin Creek Properties | 8,653,201 | 7 | 0.91% | | | |
| Libby Henderson Enterprises LLC | 8,266,996 | 8 | 0.87% | | | |
| Rosemyr Corporation | 7,628,896 | 9 | 0.80% | 6,486,370 | 8 | 0.88% |
| Henderson Country Club Inc. | 6,081,332 | 10 | 0.64% | | | |
| Royal Home Fashions | | | | 16,054,295 | 1 | 2.17% |
| Carolina Power & Light | | | | 7,203,377 | 5 | 0.97% |
| Lowes of Henderson | | | | 7,238,884 | 4 | 0.98% |
| Galileo Henderson, LP | | | | 7,075,509 | 6 | 0.96% |
| Americal Corporation | | | | 5,609,984 | 9 | 0.76% |
| Henderson Mall Limited | | | | 5,451,581 | 10 | 0.74% |
| | <u>\$ 173,392,738</u> | | <u>18.21%</u> | <u>\$ 81,644,012</u> | | <u>11.02%</u> |

Note:

Above taxable assessed valuations are as of January 1, 2013 and 2004 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2014 and 2005 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 |
| 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% |
| 2005 | 2004 | 4,731,173 | | 4,407,893 | 93.17% |

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 | | | | |
| 2014 | \$ 40,568 | \$ 2,279,032 | \$ 5,597,000 | \$ 233,745 | \$ 17,919,573 | \$ 26,069,918 | N/A | 15,345 | \$ 1,699 |
| 2013 | 91,725 | 2,926,048 | 6,459,000 | 328,603 | 5,357,064 | 15,162,440 | N/A | 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 |
| 2005 | - | 8,333,053 | - | - | 30,589,665 | 38,922,718 | 9.81% | 15,999 | 2,433 |

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

N/A: Information Not Available

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 | | | |
| 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 |
| 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 | - | 92.000% | - |

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

Legal Debt Margin Calculation for Fiscal Year 2014

| | | |
|---|--------------|-------------------------|
| Assessed Value | | <u>\$ 1,008,613,351</u> |
| Debt Limit - Eight Percent (8%) of Assessed Value | | 80,689,068 |
| Amount of Debt Applicable to Debt Limit | | |
| Lease financing agreements | \$ 2,319,600 | |
| Revolving Loan | <u>-</u> | |
| Total Debt | \$ 2,319,600 | |
| Less - Statutory Deductions | <u>-</u> | <u>2,319,600</u> |
| Legal Debt Margin | | <u>\$ 78,369,468</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> | <u>2005</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Limit | \$ 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 | \$ 59,250,410 |
| Total Net Debt | | | | | | | | | | |
| Applicable to Limit | <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> | <u>(8,333,053)</u> |
| Legal Debt Margin | <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> | <u>\$ 50,917,357</u> |
| Total Net Debt | | | | | | | | | | |
| Applicable to the Limit as a Percentage of Debt Limit | 2.87% | 3.81% | 5.15% | 6.34% | 6.29% | 8.16% | 10.23% | 11.32% | 11.49% | 14.06% |

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

| Fiscal Year | Ended | Population | (Vance | | Unemployment | Total Labor | Public School |
|--------------------|----------------------|-------------------|--------------------|-----------------|---------------------|--------------------|----------------------|
| | | | County) Per | Personal | | | |
| June 30, | Estimated (1) | (2) | Income | Rate (3) | Force (3) | Enrollment | (ADM) (4) |
| 2014 | 15,345 | N/A | N/A | 9.40% | 18,614 | 6,809 | |
| 2013 | 15,320 | N/A | N/A | 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

N/A: Information Not Available

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

| Employer | 2014 | | 2010 | |
|-----------------------------------|-------------------------|-------------|-------------------------|-------------|
| | Employment Range | Rank | Employment Range | Rank |
| Vance County Schools | 1,000 + | 1 | 1,000 + | 1 |
| Variety Wholesalers Inc. | 500-999 | 2 | 500-999 | 2 |
| Wal-Mart Associates Inc. | 500-999 | 3 | | |
| DLP Maria Parham Medical Center | 500-999 | 4 | 500-999 | 3 |
| Vance-Granville Community College | 250-499 | 5 | | |
| Xerox State Healthcare LLC | 250-499 | 6 | | |
| County of Vance | 250-499 | 7 | | |
| Pacific Coast Feather Company | 250-499 | 8 | 500-999 | 4 |
| Ardagh Glass Inc. | 250-499 | 9 | | |
| 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

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

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

Notes

The City began to collect this data in 2006

Compliance Section



William L. Stark and Company
Certified Public Accountants

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

To the City Council
City of Henderson, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina, as of and for the year ended June 30, 2014, 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 November 13, 2014.

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

November 13, 2014



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, 2014. 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, 2014.

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

November 13, 2014

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

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 Fund |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Fund |

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

Auditee qualified as low-risk auditee? Yes X No

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

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, 2014

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Fed. (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> |
|---|----------------------------|--------------------------------------|--|---------------------------|
| FEDERAL AWARDS | | | | |
| <u>U.S. Department of Justice</u> | | | | |
| Bureau of Justice Assistance | | | | |
| Passed through N.C. Dept. of Crime Control and Public Safety: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | | \$ 3,550 | \$ - |
| Edward Bryne Memorial Justice Assistance Grant Program | 16.738 | PROJ009399 | 16,710 | - |
| Edward Bryne Memorial Justice Assistance Grant Program | 16.738 | 2013-DJ-BX-0483 | 15,586 | - |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Federal Emergency Management Agency | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2012-FO-02316 | 14,146 | - |
| <u>U.S. Department of Housing and Urban Development –</u> | | | | |
| Passed through N.C. Dept. of Commerce: | | | | |
| Community Development Block Grant | 14.228 | 12-C-2455 | 46,500 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| Federal Highway Administration | | | | |
| Passed through N.C. Dept. of Transportation: | | | | |
| Highway Planning and Construction | 20.205 | 41065.3.1 | 6,075 | - |
| National Highway Traffic Safety Administration | | | | |
| Passed through N.C. Dept. of Transportation: | | | | |
| State and Community Highway Safety | 20.600 | PT-14-03-52 | 7,414 | - |
| <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 | CS370410-05 | 372,694 | - |
| Clean Water State Revolving Funds | 66.458 | CS370410-06 | 9,979,428 | - |
| Clean Water State Revolving Funds | 66.458 | CS370410-07 | 394,166 | - |
| Drinking Water State Revolving Funds | 66.468 | FS-984338.11 | 36,319 | - |
| Drinking Water State Revolving Funds | 66.468 | FS-984338.13 | 1,154,544 | - |
| Total Federal Awards | | | <u>12,047,132</u> | <u>-</u> |

CITY OF HENDERSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

| <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 | \$ - | \$ 310,097 |
| Total State Awards | | | <u>-</u> | <u>310,097</u> |
| Total Federal and State Awards | | | <u>\$ 12,047,132</u> | <u>\$ 310,097</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, 2014. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Amount Outstanding</u> |
|---|--------------------|--------------------------------------|---------------------------|
| Capitalization Grants for State Revolving Funds | | | |
| Clean Water | 66.458 | CS370410-05 | \$ 11,322,836 |
| Clean Water | 66.458 | CS370410-06 | 469,391 |
| Clean Water | 66.458 | CS370410-07 | 197,083 |
| Drinking Water | 66.468 | FS-984338.11 | 293,928 |
| Drinking Water | 66.468 | FS-984338.13 | 1,154,544 |